



**LOUDEM MINES INC.  
REPORT TO SHAREHOLDERS**

**2**

**Second Quarter ended June 30, 2008**

**For information**

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Listing: TSX Venture Exchange

Trading symbol: LOV

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(All amounts are shown in Canadian dollars, unless otherwise indicated)

### **GENERAL**

In this report, the management of Louvem Mines Inc. ("Louvem" or "the Company") wishes to present the Company's highlights for the second quarter of 2008. The financial information presented herein is established in accordance with Canadian generally accepted accounting principles (GAAP), which are the same as those used in the presentation of the financial statements for the period ended June 30, 2008. The currency used in this discussion is the Canadian dollar except where otherwise stated. This report should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2007, the non-audited quarterly financial statements for the period ended June 30, 2008, and the notes to those statements. The data on production is given in metric units, the most widely used method in Canada. More information on Louvem Mines Inc. can be obtained from SEDAR ([www.sedar.com](http://www.sedar.com)) and the Company itself ([www.louvem.com](http://www.louvem.com)). The following text contains forward-looking information. Please see the section "Forward-Looking Statements" on page 09.

Louvem holds a 50% share in the Beaufor Mine, which is located near Val-d'Or, in northwestern Quebec, Canada. The 50% share that the Company holds in the assets, liabilities, earnings and cash flows of the Beaufor Mine is consolidated according to the method of proportionate consolidation. For the period ended June 30, 2008, the majority of the Company's assets, liabilities, earnings and cash flows came from, or were generated by, the Company's share in the Beaufor Mine.

Richmont Mines Inc., which is Louvem's parent company (the "Parent Company") and the operator of the Beaufor Mine, holds the other 50% share in the mine. In addition, Louvem holds an 81% share in the Monique property, which is located near the Beaufor Mine. Louvem also holds shares in other exploration properties located in the region of Val-d'Or, in northwestern Québec.

### **OPERATIONAL AND FINANCIAL HIGHLIGHTS FOR THE SECOND QUARTER OF 2008**

- Net earnings of \$975,227 for the second quarter of 2008, compared with a net earnings of \$990,872 for the same period in 2007;
- \$3,566,471 in cash with no long-term debt;
- Generated \$2,695,839 in cash year-to-date;
- 4,351 ounces of gold sold at an average price of US\$910 (CAN\$917) for the second quarter of 2008 compared with 6,298 ounces of gold sold at an average price of US\$675 (CAN\$725) for the same period in 2007;
- Total cash cost per ounce declines from first quarter 2008 by US\$62 (CAN\$63) per ounce.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

(All amounts are in Canadian dollars, unless otherwise indicated)

### KEY FINANCIAL DATA<sup>1</sup>

	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
<b>PER OUNCE OF GOLD</b>				
Average market price (US\$)	896	667	910	658
Average selling price (US\$)	910	675	928	691
Average selling price (CAN\$)	917	725	935	743
Exchange rate (US\$/CAN\$)	1.0072	1.0748	1.0072	1.0748
Ounces of gold sold	4,351	6,298	8,352	9,404
Cash cost (US\$/ ounce) <sup>2</sup>	462	368	491	440
Cash cost (CAN\$/ounce) <sup>2</sup>	465	396	495	473

### IN THOUSANDS OF CAN\$

Revenues	4,001	4,596	7,842	7,026
Net earnings	975	991	1,882	757
Net earnings per share	0.04	0.04	0.07	0.03
Cash flow from operations	1,345	2,717	2,739	2,858
Investment in property, plant and equipment	6	119	46	119

Weighted average number of shares outstanding  
(thousands)

25,930	25,930	25,930	25,930
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### IN THOUSANDS OF CAN\$

	June 30, 2008	December 31, 2007
Cash and cash equivalents	3,566	871
Total assets	7,185	4,778
Shareholders' equity	5,386	3,505

Stock price at closing

0.43	0.35
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<sup>1</sup> Throughout this document, the Company uses performance indicators that are not defined according to Canadian generally accepted accounting principles (GAAP), such as the total cash cost of production per ounce sold and the rates of depreciation per ounce. These performance indicators are widely used in the mining industry. Nonetheless, they are in no way a standard prescribed by GAAP. The Company believes that some investors use these indicators, in addition to the financial information prepared in accordance with GAAP, to evaluate the Company's performance and its ability to generate cash. Consequently, this information must be considered supplementary and should not under any circumstances be regarded as a substitute for the performance indicators prepared in accordance with GAAP.

<sup>2</sup> The cash cost equals the operating expenses.

## CONSOLIDATED STATEMENTS OF EARNINGS

### Three-month period ended June 30, 2008

The Company posted net earnings of \$975,227 for the second quarter of 2008, compared with net earnings of \$990,872 for the same period in 2007. The difference of \$15,645 is due primarily to:

- the change in the profit margin from mining operations, which totalled \$1,965,860 during the second quarter of 2008, compared with \$2,071,508 during the same period in 2007, as a result of lower gold sales and a higher selling price per ounce of gold that was achieved in 2008;
- the decrease in depreciation and depletion expenses, which fell from \$749,503 for the second quarter of 2007 to \$178,400 for the same quarter in 2008, due to a lower rate of depreciation and depletion per ounce, which is calculated based on the proven and probable reserves at the Beaufor Mine as at December 31, 2007 and 2006;

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

(All amounts are in Canadian dollars, unless otherwise indicated)

- an increase in exploration and project evaluation expenses of \$428,537 principally due to a reclassification for fiscal planning purposes of exploration tax credits of \$214,565 from previous years.

Precious metal revenues and other revenues fell by \$594,639 to reach \$4,001,274 during the second quarter of 2008 compared to the same quarter in 2007. In all 4,351 ounces of gold were sold at an average price of US\$910 (CAN\$917) in the second quarter of 2008, compared with 6,298 ounces of gold sold at an average price of US\$675 (CAN\$725) for the same period in 2007. The revenue decrease, based on the quantity of ounces sold, was offset by the increase in the average price of the gold ounces sold.

Total expenses stood at \$3,007,731 for the second quarter ended June 30, 2008, compared with \$3,588,246 for the corresponding quarter in 2007. This favorable variance of \$580,515 is primarily attributable to the reduction of \$571,103 in depreciation and depletion expense.

For the second quarter of 2008, the income tax expense of \$18,316, include a reclassification for fiscal planning purposes of exploration tax credits of \$214,565 from prior years. For the corresponding quarter of 2007, the mining and income tax expense was reduced by a refund of \$139,701 resulting from a loss carry-back to prior years and a reduction of \$207,022 in unrecorded future tax assets.

### Six-month period ended June 30, 2008

The Company posted a net earning of \$1,881,653 for the first half of 2008, compared with a net earning of \$756,952 for the same period in 2007. The difference of \$1,124,701 is due primarily to:

- the change in the profit margin from mining operations, which totalled \$3,674,164 during the six-month period in 2008, compared with \$2,545,863 during the same period in 2007, owing to the higher selling price per ounce of gold that was achieved;
- the decrease in depreciation and depletion expenses, which fell from \$1,119,084 for the first half of 2007 to \$338,452 for the same period in 2008, due to a lower rate of depreciation and depletion per ounce, which is calculated based on the proven and probable reserves at the Beaufor Mine as at December 31, 2007 and 2006;
- an increase in exploration and project evaluation expenses of \$444,430, including the reclassification for fiscal planning purposes of exploration tax credits of \$214,565;
- and a higher charge for mining and income taxes of \$292,794.

Precious metal revenues and other revenues rose by \$815,369 to reach \$7,841,588 during the first half of 2008 compared with the same period in 2007. In all 8,352 ounces of gold were sold at an average price of US\$928 (CAN\$935) in the first half of 2008, compared with 9,404 ounces of gold sold at an average price of US\$691 (CAN\$743) for the same period in 2007. The increase in revenue is based on the the increase in the average price of the gold ounces sold.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

(All amounts are shown in Canadian dollars, unless otherwise indicated)

Total expenses stood at \$5,636,895 for the first half of the year ended June 30, 2008, compared with \$6,239,021 for the corresponding period in 2007. This favorable variance of \$602,126 is primarily attributable to the reduction of \$780,632 in depreciation and depletion.

For the first six-month period in 2008, if it had excluded the reclassification for fiscal planning purposes of exploration tax credits of 214,565, the income tax expense would have been \$537,605 or 24% of earnings before taxes and would have represented the portion of income tax charged on earnings. For the first six-month period of 2007, the mining and income tax expense was reduced by a refund of \$139,701 resulting from a loss carry-back to prior years as well as the use of available exploration tax credits of \$67,480 from prior years.

### Beaufor Mine

	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Tonnes <sup>1</sup>	<b>29,062</b>	39,874	<b>59,759</b>	69,574
Head grade (g/t)	<b>9.45</b>	9.93	<b>8.85</b>	8.50
Recovery (%)	<b>98.54</b>	98.96	<b>98.29</b>	98.87
Recovered grade (g/t)	<b>9.31</b>	9.83	<b>8.69</b>	8.41
Ounces sold <sup>2</sup>	<b>8,702</b>	12,597	<b>16,705</b>	18,808
Cash cost of production per ounce (US\$)	<b>462</b>	368	<b>491</b>	440
Louvem's share of investment in property, plant and equipment (CAN\$)	<b>5,670</b>	118,537	<b>45,799</b>	118,537
Louvem's share in exploration costs (CAN\$) <sup>3</sup>	<b>586,457</b>	157,920	<b>747,228</b>	302,798
Metres of exploration drilling				
Definition	<b>2,801</b>	1,614	<b>4,550</b>	2,166
Underground	<b>9,582</b>	6,648	<b>15,439</b>	12,190

<sup>1</sup> Louvem's share is 50% or 14,531 tonnes for the second quarter of 2008 and 19,937 tonnes for the same quarter in 2007.

<sup>2</sup> Louvem's share is 50% or 4,351 ounces for the second quarter of 2008 and 6,298 ounces for the same quarter in 2007.

<sup>3</sup> Net of a tax credit reclassification for exploration of (\$214,565) in the second quarter of 2008 and of a tax credit for exploration \$88,056 for the same quarter in 2007.

During the second quarter of 2008, the Beaufor Mine produced a total of 29,062 tonnes of ore at an average recovered grade of 9.31 g/t for a total of 8,702 ounces of gold with Louvem's share of 4,351 ounces sold at an average price of US\$910 (CAN\$917) per ounce. For the second quarter of 2007, the Beaufor Mine produced a total of 39,874 tonnes of ore at an average recovered grade of 9.83 g/t for a total of 12,597 ounces of gold with Louvem's share of 6,298 ounces sold at an average price of US\$675 (CAN\$725) per ounce. Cash costs at the Beaufor Mine decreased from US\$524 (CAN\$528) in the trailing first quarter to US\$462 (CAN\$465) for the second quarter of 2008 per ounce of gold sold. This reduction in cost of US\$62 (CAN\$63) is mainly due to the 15% increase in grade. However the cash cost for the second quarter was US\$462 (CAN\$465) which was higher by US\$94 (CAN\$69) when compared to the cash cost of US\$368 (CAN\$396) for the same quarter in 2007. This increase was due to the higher Canadian dollar by 6%, the increase in mining and milling cost of 11% due to a reduction in production and a reduction of grade by 5%.

During the first half of 2008, 59,759 tonnes of ore were processed at an average recovered grade of 8.69 g/t, and 16,705 ounces of gold with Louvem's share of 8,352 ounces were sold at an average price of US\$928 (CAN\$935) per ounce. In the first half of 2007, 69,574 tonnes of ore were processed at an average recovered grade of 8.41 g/t, and 18,808 ounces of gold with Louvem's share of 9,404 ounces were sold at an average price of US\$691 (CAN\$743) per ounce. The cash cost per

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

(All amounts are shown in Canadian dollars, unless otherwise indicated)

ounce was US\$491 (CAN\$495) during the current period compared with US\$440 (CAN\$473) in last year's comparable period because of a 6% increase in the Canadian dollar, an increase of 8% in the mining and milling costs because of the reduction in production.

The Company is approximately half-way through its planned drilling program for 2008 at Beaufor and expects to report an exploration update in the next four to six weeks. Its objective is to identify sufficient reserves to continually replace production at this mine and to evaluate the potential of the zones discovered last year below the current mining infrastructures.

### REVIEW OF THE LAST EIGHT QUARTERS

(in thousands of dollars, except amounts per share and ounces of gold sold)

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Revenues	4,001	3,840	1,408	1,407	4,596	2,430	1,585	1,730
Net earnings (loss)	975	906	27	(228)	991	(234)	(791)	(515)
Net earnings (loss) per share basic and diluted	0.04	0.03	-	(0.01)	0.04	(0.01)	(0.03)	(0.02)
Cash flow from (used in) operations	1,345	1,394	(729)	(247)	2,717	141	(721)	(648)
Ounces of gold sold	4,351	4,001	1,807	1,880	6,298	3,106	2,301	2,500

The factors that may cause fluctuations in Louvem's quarterly results are the price of gold, the exchange rate, the cost of raw materials, the level of production and exploration activities.

### LIQUIDITIES AND CAPITAL RESOURCES

As at June 30, 2008, the Company had working capital of \$3,970,605 compared with \$1,817,690 as at December 31, 2007. This difference is attributable to the increase in cash and cash equivalents as a result of the cash generated by operating activities, which totalled \$2,739,013 for the first half of 2008, investments of \$45,799 in property, plant and equipment

The Company had no long-term debt as at June 30, 2008.

### COMMITMENT AND CONTINGENCY

The Company is subject to royalty payments on certain other properties, should they be put into commercial operation.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

(All amounts are shown in Canadian dollars, unless otherwise indicated)

### **RELATED PARTY TRANSACTIONS**

Richmont Mines, Louvem's parent company, owns 70% of the common shares issued and outstanding. In the ordinary course of its business, Louvem conducts transactions with the parent company and its subsidiaries. The parent company charges management fees to cover part of the administrative expenses related to Louvem. The management fees were the same for the second quarters of 2008 and 2007, namely \$114,000 (\$228,000 for the six-month period of 2008 and 2007). The parent company also charges interest on the advances made. No interest charge was incurred during the second quarter of 2008 however \$3,838 was charged during that period in 2007. An interest amount of \$2,481 was charged for the first semester of 2008 (\$21,840 for the first semester of 2007). The ore from the Beaufor Mine is processed at the Camflo Mill, which is owned by Richmont Mines. The milling costs totalled \$330,630 for the second quarter of 2008 and \$238,448 for the same quarter in 2007, whereas they were \$714,880 for the six-month period in 2008 and 601,768 for the same period in 2007. These operations were concluded in the normal course of operations and were measured at their exchange and agreed amounts.

### **OFF-BALANCE-SHEET TRANSACTIONS**

During the first quarters of 2008 and 2007, the Company was not involved in any off-balance-sheet transactions.

### **NEW ACCOUNTING POLICIES**

#### **Capital disclosures**

As at January 1, 2008, the Company adopted Section 1535 of the Handbook published by the Canadian Institute of Chartered Accountants (CICA), entitled "Capital disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed which information is presented in note 7 of the quarterly consolidated financial statements.

#### **Financial instruments – disclosures and presentation**

As at January 1, 2008, the Company adopted two new CICA Handbook sections: Section 3862, "Financial instruments – disclosures" and Section 3863, "Financial instruments – presentation". Together, these two sections replace Section 3861, "Financial instruments – disclosures and presentation". These Sections require additional disclosure, particularly regarding the documentation of risks and have been included in note 8 of the quarterly consolidated financial statements.

#### **Inventories**

As at January 1, 2008, the Company adopted Section 3031, "Inventories", of the Handbook which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards ("IFRS"). This Section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; it reduces the number of methods available to determine cost; it requires impairment testing; and it expands the disclosure requirements to increase transparency. The adoption of Section 3031 changes the accounting policy for inventories and now supply inventories, precious metal and ore inventories are valued at the lower of average cost and net realizable value which had no effect on the Company's quarterly consolidated financial statements and the comparative figures.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

(All amounts are shown in Canadian dollars, unless otherwise indicated)

### **FUTURE ACCOUNTING CHANGES**

In February 2008, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to converge with IFRS and that public companies will be required to present their financial statements with comparative data, under these standards for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of these requirements on its consolidated financial statements.

### **SIGNIFICANT ACCOUNTING ESTIMATES**

The preparation of financial statements requires the use of estimates and the formulation of hypotheses that have a significant effect on revenues and expenses as well as on the amounts of assets and liabilities. Elements such as mineral reserves, property, plant and equipment, asset retirement obligations, and future mining and income taxes are estimates that management considers the most important, those whose actual amounts could differ considerably and affect operating results. A detailed discussion of these elements is given in the annual management's discussion and analysis, dated April 16, 2008, and available on SEDAR ([www.sedar.com](http://www.sedar.com)).

### **FINANCIAL INSTRUMENTS**

In order to minimize the risks associated with fluctuations in the price of gold and exchange rates, the Company may, from time to time, use derivative financial instruments and short-term gold hedging contracts. As of June 30, 2008 and December 31, 2007, the Company had no gold hedging contracts and no currency exchange contracts. For the quarter ended ending on June 30, 2008, no gain or loss related to derivative financial instruments or to gold hedging contracts was recorded in the financial statements.

### **GENERAL INFORMATION**

The President and Chief Executive Officer and the Financial Director are responsible for disclosure controls and procedures (as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators) and have designed them, or had them designed under their supervision, to provide reasonable assurance that important information about the Company is communicated to them by others within the Company, especially during the period when reports that must be filed under the terms of Canadian securities law are being prepared.

The President and Chief Executive Officer and the Financial Director are also responsible for internal controls over financial reporting and have designed them, or had them designed under their supervision, to provide reasonable assurance that the financial information is reliable and that the financial statements have been prepared in accordance with Canadian GAAP. No major change has been made to the internal controls over financial reporting during the quarter ended June 30, 2008.

### **Risks and uncertainties**

In the normal course of operations, the mining industry involves exposure to numerous risks that can affect the performance of companies such as Louvem. A detailed discussion of these risks is given in the annual management's discussion and analysis, dated April 16, 2008, and available on SEDAR ([www.sedar.com](http://www.sedar.com)).

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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(All amounts are shown in Canadian dollars, unless otherwise indicated)

### **Regulation 43-101**

The reserve and resource estimations of the Beaufor mine as of December 31, 2007 was performed by qualified persons as defined by NI 43-101. For the Beaufor Mine, it was carried out by Richard Dubuc, P. Geo, an employee of Richmond Mines Inc. The reserves and resources estimations were supervised and reviewed by Mr. Jules Riopel, M.Sc. P. Geo., MBA, Director Geology and Exploration, an employee of Richmond Mines Inc.

### **Forward-looking statements**

This Management's Discussion and Analysis contains forward-looking statements that include risks and uncertainties. When used in this Report, the words "estimate," "project," "anticipate," "expect," "intend," "believe," "hope," "may" and similar expressions, as well as "will," "shall" and other indications of future tense, are intended to identify forward-looking statements. The forward-looking statements are based on current expectations and apply only as of the date on which they were made. These forward-looking statements involve risks, uncertainties and other factors that in some cases have affected our historical results and could cause actual results in the future to differ significantly from the results anticipated in forward-looking statements made in this Report. Important factors that could cause such a difference are discussed in this Report, particularly in the sections entitled "Risks and uncertainties" which refers to the Company's annual management's discussion and analysis report dated April 16, 2008. You are cautioned not to place undue reliance on the forward-looking statements.

The factors that could cause actual results to differ materially from those indicated in such forward-looking statements include changes in the prevailing price of gold, the Canadian-United States exchange rate, the grade of ore mined and unforeseen difficulties in mining operations that could affect revenues and production costs. Other factors, such as uncertainties regarding government regulations, could also affect the results. Other risks may be detailed in the annual and the periodic reports of Louvem Mines Inc.

### **Additional information and continued disclosure**

This management's discussion and analysis was prepared as of July 31, 2008. The Company regularly discloses additional information through news releases and quarterly and annual financial statements on SEDAR's Web site ([www.sedar.com](http://www.sedar.com)) and through the Company's own Web site ([www.louvem.com](http://www.louvem.com)).



## **CONSOLIDATED FINANCIAL STATEMENTS**

**Second Quarter**  
ended June 30, 2008

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(Unaudited)	(in Canadian dollars)			
	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	\$	\$	\$	\$
<b>REVENUES</b>				
Precious metals	3,988,525	4,568,151	7,811,055	6,989,757
Other revenues	12,749	27,762	30,533	36,462
	<b>4,001,274</b>	4,595,913	<b>7,841,588</b>	7,026,219
<b>EXPENSES</b>				
Operating costs	2,022,665	2,496,643	4,136,891	4,443,894
Administration	217,678	177,943	406,815	346,639
Interest	-	3,838	2,481	21,840
Exploration and project evaluation	586,457	157,920	747,228	302,798
Accretion expense - asset retirement obligations	2,531	2,399	5,028	4,766
Depreciation and depletion	178,400	749,503	338,452	1,119,084
	<b>3,007,731</b>	3,588,246	<b>5,636,895</b>	6,239,021
EARNINGS BEFORE MINING AND INCOME TAXES	<b>993,543</b>	1,007,667	<b>2,204,693</b>	787,198
MINING AND INCOME TAXES	<b>18,316</b>	16,795	<b>323,040</b>	30,246
<b>NET EARNINGS AND COMPREHENSIVE INCOME</b>	<b>975,227</b>	990,872	<b>1,881,653</b>	756,952
<b>NET EARNINGS PER SHARE</b>				
Basic	<b>0.04</b>	0.04	<b>0.07</b>	0.03
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<b>25,929,689</b>	25,929,689	<b>25,929,689</b>	25,929,689

## CONSOLIDATED STATEMENTS OF DEFICIT

(Unaudited)	(in Canadian dollars)			
	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	\$	\$	\$	\$
<b>BALANCE, BEGINNING OF PERIOD</b>	<b>(3,661,739)</b>	(5,357,964)	<b>(4,568,165)</b>	(5,124,044)
Net earnings	<b>975,227</b>	990,872	<b>1,881,653</b>	756,952
<b>BALANCE, END OF PERIOD</b>	<b>(2,686,512)</b>	(4,367,092)	<b>(2,686,512)</b>	(4,367,092)

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

## CONSOLIDATED BALANCE SHEETS

	(in Canadian dollars)	
	June 30, 2008	December 31, 2007
	\$	\$
	(Unaudited)	(Audited)
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	3,566,471	870,632
Accounts receivable	228,133	222,345
Mining and income taxes receivable	147,107	82,695
Inventories (note 2)	1,443,737	1,499,434
	<b>5,385,448</b>	2,675,106
PROPERTY, PLANT AND EQUIPMENT (note 3)	<b>1,799,232</b>	2,102,456
	<b>7,184,680</b>	4,777,562
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued charges	939,409	753,401
Mining and income taxes payable	475,434	104,015
	<b>1,414,843</b>	857,416
ASSET RETIREMENT OBLIGATIONS	<b>190,328</b>	185,300
FUTURE MINING AND INCOME TAXES	<b>193,069</b>	230,059
	<b>1,798,240</b>	1,272,775
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 4)	2,462,577	2,462,577
Contributed surplus	5,610,375	5,610,375
Deficit	(2,686,512)	(4,568,165)
	<b>5,386,440</b>	3,504,787
	<b>7,184,680</b>	4,777,562

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

## CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)	(in Canadian dollars)			
	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	\$	\$	\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net earnings	975,227	990,872	1,881,653	756,952
Adjustments for:				
Depreciation and depletion	178,400	749,503	338,452	1,119,084
Loss on disposal of assets	-	-	6,713	
Accretion expense - asset retirement obligations	2,531	2,399	5,028	4,766
Future mining and income taxes	(20,340)	(72,370)	(36,990)	(113,371)
	<b>1,135,818</b>	1,670,404	<b>2,194,856</b>	1,767,431
Net change in non-cash working capital items <i>(note 5)</i>	<b>208,910</b>	1,046,546	<b>544,157</b>	1,090,283
	<b>1,344,728</b>	2,716,950	<b>2,739,013</b>	2,857,714
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>				
Property, plant and equipment, purchases	(5,670)	(118,537)	(45,799)	(118,537)
Property, plant and equipment, sales	-	-	2,625	-
	<b>(5,670)</b>	(118,537)	<b>(43,174)</b>	(118,537)
<b>CASH FLOW USED IN FINANCING ACTIVITIES</b>				
Reimbursement of the due to the parent company	-	(600,000)	-	(700,000)
Net increase in cash and cash equivalents	<b>1,339,058</b>	1,998,413	<b>2,695,839</b>	2,039,177
Cash and cash equivalents, beginning of period	<b>2,227,413</b>	283,123	<b>870,632</b>	242,359
Cash and cash equivalents, end of period	<b>3,566,471</b>	2,281,536	<b>3,566,471</b>	2,281,536

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Three-month periods ended June 30, 2008 and 2007 (in Canadian dollars)  
(Unaudited)

Louvem Mines Inc. (the "Company"), incorporated under Part 1A of the Quebec Companies Act, is engaged in mining exploration and development of mining properties, principally gold, in Quebec.

These unaudited interim consolidated financial statements have been prepared by the Company's management. The external auditors have not examined these consolidated financial statements for the three-month period ended on June 30, 2008.

### 1. Significant accounting policies

The accounting policies used and the application of these policies for the preparation of the unaudited interim consolidated financial statements are identical to those used in the preparation of the financial statements for the year ended December 31, 2007 except that the Company has adopted the following CICA standards effective January 1<sup>st</sup>, 2008. These unaudited consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements.

#### a) Capital disclosures

In December 2006, the CICA issued Section 1535 of the Handbook, Capital Disclosure. This section establishes standards for disclosing information about an entity's capital; i) qualitative information about an entity's objectives, policies and processes for managing capital; ii) quantitative data about the various components of the Company's capital; iii) the fact that the entity has complied with any capital requirements; and iv) if it has not complied, the consequences of such non-compliance. As a result of the adoption of this standard, note 7 has been added to these interim consolidated financial statements.

#### b) Financial instruments – disclosure and presentation

In December 2006, the CICA issued Handbook Section 3862, Financial Instrument – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. Together, these two sections replace Handbook Section 3861, Financial Instruments – Disclosures and Presentation, and require additional disclosure, particularly regarding the documentation of risks. As a result of the adoption of this standard, note 8 has been added to these interim consolidated financial statements.

#### c) Inventories

In June 2007, the CICA issued Handbook Section 3031, *Inventories*, which replaces Handbook Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards ("IFRS"). This Section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; it reduces the number of methods available to determine cost; it requires impairment testing; and it expands the disclosure requirements to increase transparency. As results of the adoption of Section 3030, as of January 1<sup>st</sup>, 2008, inventories of precious metals, ore and supplies are measured at the lower of average cost and net realizable value. This change did not have any impact on these interim consolidated financial statements and on comparative data.

#### d) Future accounting changes

In February 2008, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to converge with IFRS and that public companies will be required to present their financial statements, with comparative data, under these standards for fiscal years beginning on or after January 1<sup>st</sup>, 2011. The Company is currently evaluating the impact of these requirements on its consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Three-month periods ended June 30, 2008 and 2007 (in Canadian dollars)  
(Unaudited)

### 2. Inventories

	June 30, 2008 \$	December 31, 2007 \$
		(Audited)
Precious metals	922,813	85,048
Ore	105,931	1,005,599
Supplies	414,993	408,787
	<u>1,443,737</u>	<u>1,499,434</u>

### 3. Property, plant and equipment

	June 30, 2008			December 31, 2007		
	Cost \$	Accumulated depreciation and depletion \$	Net book value \$	Cost \$	Accumulated depreciation and depletion \$	Net book value \$
						(Audited)
Development costs	3,725,182	2,718,251	1,006,931	3,725,181	2,523,957	1,201,224
Buildings	411,334	345,205	66,129	411,334	332,446	78,888
Equipment	1,433,318	712,916	720,402	1,419,277	603,817	815,460
Asset retirement costs	97,465	91,695	5,770	97,465	90,581	6,884
	<u>5,667,299</u>	<u>3,868,067</u>	<u>1,799,232</u>	<u>5,653,257</u>	<u>3,550,801</u>	<u>2,102,456</u>

### 4. Capital stock

Authorized: Unlimited number of common shares with no par value

	Three months ended June 30, 2008		Six months ended June 30, 2008	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance, beginning and end of period	<u>25,929,689</u>	<u>2,462,577</u>	<u>25,929,689</u>	<u>2,462,577</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Three-month periods ended June 30, 2008 and 2007 (in Canadian dollars)  
(Unaudited)

### 5. Information on cash flow

Change in non-cash working capital items is detailed as follows:

	Three months ended		Six months ended	
	June 30, 2008 \$	June 30, 2007 \$	June 30, 2008 \$	June 30, 2007 \$
Accounts receivable	29,761	(79,988)	(5,788)	(47,445)
Inventories	36,891	916,215	55,697	975,241
Accounts payable and accrued charges	41,568	65,232	187,241	(4,566)
Mining and income taxes receivable (payable)	100,690	145,087	307,007	167,053
	<b>208,910</b>	<b>1,046,546</b>	<b>544,157</b>	<b>1,090,283</b>
SUPPLEMENTAL INFORMATION:				
Interest paid during the year	-	3,838	2,481	21,840
Change in accounts payable and accrued charges related to property, plant and equipment	5,753	-	(1,233)	-

### 6. Related party transactions

The related party transactions are as follows:

	Three months ended		Six months ended	
	June 30, 2008 \$	June 30, 2007 \$	June 30, 2008 \$	June 30, 2007 \$
Parent company, Richmond Mines Inc.				
Services and management fees	114,000	114,000	228,000	228,000
Interest on due to the parent company	-	3,838	2,481	21,840
Camflo Mill Inc., subsidiary of the parent company				
Milling costs	330,630	238,448	714,880	601,768

As at June 30, 2008, the accounts payable and accrued charges include \$90,108 (\$110,145 as at December 31, 2007) due to related parties. These transactions were conducted in the normal course of operations and were calculated at the exchange amount, which is the amount established and accepted between the parties.

Accounts receivable include an amount receivable from related parties of \$2,744 as at June 30, 2008 (\$2,759 as at December 31, 2007). These transactions were conducted in the normal course of operations and were calculated at the exchange amount, which is the amount established and accepted between the parties.

### 7. Capital disclosures

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration program and development of its mining assets to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

In the management of capital, the Company includes the components of shareholders' equity as well as the cash and cash equivalents.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Three-month periods ended June 30, 2008 and 2007 (in Canadian dollars)  
(Unaudited)

### 7. Capital disclosures (continued)

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may purchase some of its share for cancellation pursuant to normal course of issuers bids, issue new shares, issue new debt from outside sources or the parent company, acquire or dispose of assets or adjust the amount of cash and cash equivalents. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since last period.

### 8. Financial instruments and risk management

#### a) Market risk

The Company is exposed to gold price fluctuations and to fluctuations of the U.S. dollar compared to the Canadian dollar. The market risks are the same as those of the previous period. The Company manages its exposure to these risks through the occasional use of derivative financial instruments and gold commodity contracts. The Board of Directors approves all policies concerning the use of derivative financial instruments and gold sales contracts. The Company holds no financial instrument or derivative financial instrument for trading or speculative purposes.

#### b) Foreign exchange risk

The price of gold is established in U.S. dollars; to manage its exposure due to the fluctuation of the U.S. dollar, the Company can occasionally enter into various types of foreign exchange contracts. The foreign exchange risk is the same as this of the previous period. During the quarters ended June 30, 2008 and 2007, the Company did not enter into any forward exchange contracts.

#### c) Commodity price risk

For its gold production, the Company can reduce its risk of a decrease in the price of gold through the occasional use of forward sales contracts and put and call options. The risk of gold price is the same as the previous period. During the quarters ended June 30, 2008 and 2007, the Company did not enter into hedging contracts for its gold production.

#### d) Credit risk

Financial instruments that expose the Company to market risk and concentration of credit risk consist primarily of cash and cash equivalents, accounts receivable, forward and option contracts for currencies and gold, when used. The Company invests its cash and cash equivalents in high-quality securities issued by government agencies, financial institutions and major corporations, and limits the amount of credit exposure by diversifying its holdings. The Company is exposed to credit risk in the event of non-performance by counterparties in connection with, when applicable, its currency and gold forward option contracts and its hedging. The Company does not obtain any security to support financial instruments subject to credit risk but mitigates this risk by dealing only with a diverse group of financially sound counterparties and, accordingly, does not anticipate any loss for non-performance. The credit risks are the same as those of the previous period.

#### e) Fair value of financial instruments

The Company has classified its cash and cash equivalents as assets held-for-trading its accounts receivable as loans and receivables, and its accounts payable and accrued charges as other financial liabilities as defined in the CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". The Company owns and assumes other assets and liabilities such as cash equivalents, accounts receivable, as well as accounts payable and accrued charges. The fair value of these financial assets and liabilities approximates their book value as these items will be realized or paid within one year.

### 9. Comparative figures

Certain comparative figures provided for the period ended June 30, 2007 have been reclassified to conform with the presentation adopted for the period ended June 30, 2008.