



**LOUVEM MINES INC.  
REPORT TO SHAREHOLDERS**

**1**

**First Quarter ended March 31, 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 first 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 March 31, 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 March 31, 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 8.

Louvem holds a 50% share in the Beaufor Mine, which is located near Val-d'Or, in north-western 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 March 31, 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 FIRST QUARTER OF 2008

- Net earnings of \$906,426, compared with a net loss of \$233,920 for the same period in 2007;
- Revenue increased of 58% to \$3,840,314;
- 4,001 ounces of gold sold at an average price of US\$955 for 2008 compared with 3,106 ounces of gold sold at an average price of US\$726 for 2007;
- Production cash cost of US\$528 in 2008 compared with US\$583 in 2007.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

	Three months ended	
	March 31, 2008	March 31, 2007
<b>PER OUNCE OF GOLD</b>		
Average market price (US\$)	925	650
Average selling price (US\$)	955	726
Exchange rate (US\$/CAN\$)	1.0000	1.0748 <sup>2</sup>
Ounces of gold sold	4,001	3,106
Average cash cost (US\$/ounce) <sup>3</sup>	528	583
<b>IN THOUSANDS OF CAN\$</b>		
Revenues	3,840	2,430
Net earnings (loss)	906	(234)
Net earnings (loss) per share	0.03	(0.01)
Cash flow from operations	1,394	141
Investment in property, plant and equipment	40	-
Weighted average number of shares outstanding ( <i>thousands</i> )	25,930	25,930
<b>IN THOUSANDS OF CAN\$</b>		
Cash and cash equivalents	2,227	871
Total assets	6,015	4,778
Shareholders' equity	4,411	3,505
Stock price at closing	0.48	0.35

<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> Average exchange rate for the year 2007.

<sup>3</sup> The cash cost equals the operating expenses.

### CONSOLIDATED STATEMENTS OF EARNINGS

The Company posted an earning of \$906,426 for the first quarter of 2008, compared with a loss of \$233,920 for the same period in 2007. The difference of \$1,140,346 is due primarily to:

- the change in the profit margin from mining operations, which totalled \$1,708,304 during the first quarter of 2008, compared with \$474,355 during the same period in 2007, owing to a substantial rise in the ore grade (which rose from 6.50 g/t in the first quarter of 2007 to 8.11 g/t for the same period in 2008) and the higher selling price per ounce of gold that was achieved;
- the decrease in depreciation and depletion expenses, which fell from \$369,581 for the first quarter of 2007 to \$160,052 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 a higher charge for mining and income taxes of \$291,273.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

Precious metal revenues and other revenues rose by \$1,410,008 to reach \$3,840,314 during the first quarter of 2008 compared to the same quarter in 2007. In all 4,001 ounces of gold were sold at an average price of US\$955 in the first quarter of 2008, compared with 3,106 ounces of gold sold at an average price of US\$726 for the same period in 2007. The increase in revenues is attributable to the increase in gold ounces sold at a higher price.

Total expenses stood at \$2,629,164 for the first quarter ended March 31, 2008, compared with \$2,650,775 for the corresponding quarter in 2007.

The variation in the mining and income tax expense between the first quarter of 2008 and the first quarter of 2007 was \$291,273 explained by the increase in earnings before taxes. In the first quarter of 2008, earnings before taxes were \$1,211,150 compared with a loss of \$220,469 in 2007.

### Beaufor Mine

	Three months ended	
	March 31, 2008	March 31, 2007
Tonnes <sup>1</sup>	30,697	29,700
Recovered grade (g/t)	8.11	6.50
Ounces sold <sup>2</sup>	8,003	6,211
Cash cost per ounce (US\$)	528	583
Louvem's share of investment in property, plant and equipment (\$)	40,129	-
Louvem's share in exploration costs (\$) <sup>3</sup>	160,771	144,878
Metres of exploration drilling		
Definition	1,749	552
Underground	5,857	5,542

<sup>1</sup> Louvem's share is 50% or 15,349 tonnes for the first quarter of 2008 and 14,850 tonnes for the same quarter in 2007.

<sup>2</sup> Louvem's share is 50% or 4,001 ounces for the first quarter of 2008 and 3,106 ounces for the same quarter in 2007.

<sup>3</sup> Net of a tax credit for exploration of \$118,279 in the first quarter of 2008 and of \$35,483 in 2007.

During the first quarter of 2008, the Beaufor Mine produced a total of 30,697 tonnes of ore at an average recovered grade of 8.11 g/t for a total of 8,003 ounces of gold with Louvem's share of 4,001 ounces sold at an average price of US\$955 per ounce. For the first quarter of 2007, the Beaufor Mine produced a total of 29,700 tonnes of ore at an average recovered grade of 6.50 g/t for a total of 6,211 ounces of gold with Louvem's share of 3,106 ounces sold at an average price of US\$726 per ounce. The increase in the average grade had as a consequence to reduce the cash cost per ounce which was US\$583 during the first quarter of 2007 to US\$528 for the same period in 2008.

In 2008, the Company plans to complete 42,000 metres of drilling at the Beaufor Mine, of which 19,500 metres are dedicated to testing the Q Zone which was discovered last year. 7,606 metres were drilled during the first quarter of 2008. More than \$550,000 was invested in exploration work at Beaufor during the first three months of 2008 of which Louvem's portion is 50%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

### REVIEW OF THE LAST EIGHT QUARTERS

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

	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Revenues	3,840	1,408	1,407	4,596	2,430	1,585	1,730	2,434
Net earnings (loss)	906	27	(228)	991	(234)	(791)	(515)	(284)
Net earnings (loss) per share, basic and diluted	0.03	-	(0.01)	0.04	(0.01)	(0.03)	(0.02)	(0.01)
Cash flow from (used in) operations	1,394	(729)	(247)	2,717	141	(721)	(648)	(160)
Ounces of gold sold	4,001	1,807	1,880	6,298	3,106	2,301	2,500	3,451

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 March 31, 2008, the Company had working capital of \$2,846,210, 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 liquidities generated by operating activities, which totalled \$1,394,285 for the first three months of 2008, and investments of \$40,129 in property, plant and equipment.

The Company had no long-term debt as at March 31, 2008.

### COMMITMENT AND CONTINGENCY

The Company is subject to royalty payments on the output of the Beaufor Mine and on certain other properties, should they be put into commercial operation.

### 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 first quarters of 2008 and 2007, namely \$114,000. The parent company also charges interest on the advances made. The amount of interest expensed during the first quarter of 2008 was \$2,481 (\$18,002 for the first three months of 2007). The ore from the Beaufor Mine is processed at the Camflo Mill, which is owned by Richmont Mines. The milling costs and other expenses totalled \$384,250 for the first quarter of 2008 and \$363,320 for the same quarter 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 three months ended March 31, of 2008 and 2007, the Company was not involved in any off-balance-sheet transactions.

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

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

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### **NEW ACCOUNTING POLICIES**

#### **Capital disclosures**

As of 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 of 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 of 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 had no effect on the Company's quarterly consolidated financial statements and the comparative figures.

### **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)).

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

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

### **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 March 31, 2008 and December 31, 2007, the Company had no gold hedging contracts and no currency exchange contracts. For the period of three months ending on March 31, 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 March 31, 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)).

### **Regulation 43-101**

The reserve and resource estimations of the Beaufor mine as at 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.

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

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

### **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 periodic reports of Louvem Mines Inc. We undertake no obligation to update or revise our forward-looking statements, whether as a result of new information, future events or otherwise.

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

This management's discussion and analysis was prepared as at May 9, 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**

**First Quarter**  
ended March 31, 2008

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(Unaudited)	(in Canadian dollars)	
	Three months ended	
	March 31, 2008	March 31, 2007
	\$	\$
<b>REVENUES</b>		
Precious metals	3,822,530	2,421,606
Other revenues	17,784	8 700
	<u>3,840,314</u>	<u>2,430,306</u>
<b>EXPENSES</b>		
Operating costs	2,114,226	1,947,251
Administration	189,137	168,696
Interest	2,481	18,002
Exploration and project evaluation	160,771	144,878
Accretion expense - asset retirement obligations	2,497	2,367
Depreciation and depletion	160,052	369,581
	<u>2,629,164</u>	<u>2,650,775</u>
EARNINGS (LOSS) BEFORE MINING AND INCOME TAXES	1,211,150	(220,469)
MINING AND INCOME TAXES	304,724	13,451
<b>NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME</b>	<u>906,426</u>	<u>(233,920)</u>
<b>NET EARNINGS (LOSS) PER SHARE</b>		
Basic	0.03	(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>25,929,689</u>	<u>25,929,689</u>

## CONSOLIDATED STATEMENTS OF DEFICIT

(Unaudited)	(in Canadian dollars)	
	Three months ended	
	March 31, 2008	March 31, 2007
	\$	\$
<b>BALANCE, BEGINNING OF PERIOD</b>	<b>(4,568,165)</b>	<b>(5,124,044)</b>
Net earnings (loss)	906,426	(233,920)
<b>BALANCE, END OF PERIOD</b>	<u><b>(3,661,739)</b></u>	<u><b>(5,357,964)</b></u>

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

## CONSOLIDATED BALANCE SHEETS

	(in Canadian dollars)	
	March 31, 2008 \$	December 31, 2007 \$
	(Unaudited)	(Audited)
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	2,227,413	870,632
Accounts receivable	257,894	222,345
Mining and income taxes receivable	82,695	82,695
Inventories (note 2)	1,480,628	1,499,434
	<b>4,048,630</b>	2,675,106
PROPERTY, PLANT AND EQUIPMENT (note 3)	1,966,209	2,102,456
	<b>6,014,839</b>	4,777,562
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued charges	892,088	753,401
Mining and income taxes payable	310,332	104,015
	<b>1,202,420</b>	857,416
ASSET RETIREMENT OBLIGATIONS	187,797	185,300
FUTURE MINING AND INCOME TAXES	213,409	230,059
	<b>1,603,626</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	(3,661,739)	(4,568,165)
	<b>4,411,213</b>	3,504,787
	<b>6,014,839</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	
	March 31, 2008	March 30, 2007
	\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net earnings (loss)	906,426	(233,920)
Adjustments for:		
Depreciation and depletion	160,052	369,581
Loss on disposal of assets	6,713	
Accretion expense - asset retirement obligations	2,497	2,367
Future mining and income taxes	(16,650)	(41,001)
	<u>1,059,038</u>	<u>97,027</u>
Net change in non-cash working capital items (note 5)	<u>335,247</u>	<u>43,737</u>
	<u>1,394,285</u>	<u>140,764</u>
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>		
Property, plant and equipment, purchases	(40,129)	-
Property, plant and equipment, sales	2,625	-
	<u>(37,504)</u>	<u>-</u>
<b>CASH FLOW USED IN FINANCING ACTIVITIES</b>		
Reimbursement of the due to the parent company	-	(100,000)
Net increase in cash and cash equivalents	1,356,781	40,764
Cash and cash equivalents, beginning of period	870,632	242,359
Cash and cash equivalents, end of period	<u>2,227,413</u>	<u>283,123</u>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Three-month periods ended March 31, 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 management. The external auditors have not examined these consolidated financial statements for the three-month period ended on March 31, 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 1st, 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. The adoption of Section 3030, as of January 1st, 2008, 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 1st, 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 March 31, 2008 and 2007 (in Canadian dollars)  
(Unaudited)

### 2. Inventories

	March 31, 2008 \$	December 31, 2007 \$
		(Audited)
Precious metals	676,528	85,048
Ore	413,551	1,005,599
Supplies	390,549	408,787
	<u>1,480,628</u>	<u>1,499,434</u>

### 3. Property, plant and equipment

	March 31, 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	2,615,838	1,109,344	3,725,181	2,523,957	1,201,224
Buildings	411,334	338,479	72,855	411,334	332,446	78,888
Equipment	1,421,894	644,241	777,653	1,419,277	603,817	815,460
Asset retirement costs	97,465	91,108	6,357	97,465	90,581	6,884
	<u>5,655,875</u>	<u>3,689,666</u>	<u>1,966,209</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 March 31, 2008	
	Number of shares	Amount \$
Balance, beginning and end of period	<u>25,929,689</u>	<u>2,462,577</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Three-month periods ended March 31, 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	
	March 31, 2008	March 31, 2007
	\$	\$
Accounts receivable	(35,549)	32,543
Inventories	18,806	59,026
Accounts payable and accrued charges	145,673	(69,798)
Mining and income taxes receivable	-	21,966
Mining and income taxes payable	206,317	-
	<b>335,247</b>	<b>43,737</b>
SUPPLEMENTAL INFORMATION:		
Interest paid during the year	2,481	18,002
Change in accounts payable and accrued charges related to property, plant and equipment	(6,986)	-

### 6. Related party transactions

The related party transactions are as follows:

	Three months ended	
	March 31, 2008	March 31, 2007
	\$	\$
Parent company, Richmond Mines Inc.		
Services and management fees	114,000	114,000
Interest on due to the parent company	2,481	18,002
Camflo Mill Inc., subsidiary of the parent company		
Milling costs	384,250	363,320

As at March 31, 2008, the accounts payable and accrued charges include \$94,206 (\$190,986 as at March 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 \$4,335 as at March 31, 2008 (\$399 as at March 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 March 31, 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.

### 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 Company has the possibility to manage 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. During the quarters ended March 31, 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. During the quarters ended March 31, 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.

#### 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 March 31, 2007 have been reclassified to conform with the presentation adopted for the period ended March 31, 2008.