Consolidated Financial Statements of

REUNION GOLD CORPORATION
(an exploration stage Company)

Years ended March 31, 2008 and 2007

Financial Statements

Raymond Chabot Grant Thornton

Auditors' Report

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To the Shareholders of
Reunion Gold Corporation

We have audited the consolidated balance sheets of Reunion Gold Corporation (an exploration stage Company) as at March 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss, deficit and contributed surplus, cash flows and deferred exploration expenses 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 audit.

We conducted our audit 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 March 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP

Chartered Accountants

Montréal
June 20, 2008

Reunion Gold Corporation
(an exploration stage Company)
Consolidated Balance Sheets

	March 31, 2008	March 31, 2007
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	**4,652,726**	2,337,377
Short-term investments (note 3)	**-**	1,962,653
Amounts receivable (note 4)	**347,928**	113,141
Prepaid expenses and deposits	**214,653**	177,618
	5,215,307	4,590,789
Asset-backed commercial paper (note 5)	**80,013**	-
Marketable securities (note 6)	**1,025,780**	3,700,000
Capital assets (note 7)	**47,074**	23,067
Deferred exploration expenses (note 8)	**11,980,272**	4,677,354
	18,348,446	12,991,210
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**1,536,128**	1,203,784
SHAREHOLDERS' EQUITY		
Capital stock (note 10)	**44,041,749**	37,541,270
Contributed surplus	**3,317,468**	1,987,474
Deficit	**(28,861,689)**	(27,741,318)
Accumulated other comprehensive loss (note 15)	**(1,685,210)**	-
	16,812,318	11,787,426
	18,348,446	12,991,210

Commitments (note 12)

Subsequent events (note 18)

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

On behalf of the Board,

(s) James Crombie
James Crombie, Director

(s) Loraine Oxley
Loraine Oxley, Director

Reunion Gold Corporation
(an exploration stage Company)
Consolidated Operations

	Year ended March 31, 2008	Year ended March 31, 2007
	$	$
Revenues		
Interest	**113,050**	206,741
Other	**16,643**	9,699
	129,693	216,440
Expenses		
Administration	**686,909**	1,158,576
Stock-based compensation cost	**56,848**	653,581
Depreciation and amortization	**18,520**	20,144
Impairment charge on asset-backed commercial paper (note 5)	**19,844**	-
Loss on sale of marketable securities (note 6)	**443,640**	-
Loss on foreign exchange	**3,647**	66,331
	1,229,408	1,898,632
Loss from continued operations	**(1,099,715)**	(1,682,192)
Discontinued operations (note 9)	**-**	479,435
Net loss	**(1,099,715)**	(1,202,757)
Basic and diluted loss per share, from continued operations (note 10)	**(0.06)**	(0.04)
Basic and diluted loss per share (note 10)	**(0.06)**	(0.03)
Basic and diluted weighted average number of shares outstanding	**42,646,201**	39,175,659

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

Reunion Gold Corporation

(an exploration stage Company)

Consolidated Comprehensive Loss, Deficit and Contributed Surplus

	Year ended March 31, 2008	Year ended March 31, 2007
	$	$
COMPREHENSIVE LOSS		
Net loss	**(1,099,715)**	-
Other comprehensive loss (note 15)		
Changes in unrealized losses in marketable securities	**(1,085,210)**	-
Comprehensive loss	**(2,184,925)**	-
DEFICIT		
Balance, beginning of year	**(27,741,318)**	(26,538,561)
Common share issue expenses	**(20,656)**	-
Net loss	**(1,099,715)**	(1,202,757)
Balance, end of year	**(28,861,689)**	(27,741,318)
Accumulated other comprehensive loss (note 15)	**(1,685,210)**	-
Total accumulated deficit and other comprehensive loss	**(30,546,899)**	(27,741,318)
CONTRIBUTED SURPLUS		
Balance, beginning of year, restated (note 10)	**1,987,474**	1,388,943
Stock-based compensation cost	**56,848**	653,581
Share purchase warrants (note 10)	**1,273,146**	-
Exercise of options	**-**	(55,050)
Balance, end of year	**3,317,468**	1,987,474

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

Reunion Gold Corporation
(an exploration stage Company)
Consolidated Cash Flows

	Year ended March 31, 2008	Year ended March 31, 2007
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(1,099,715)**	(1,202,757)
Non-cash items		
Stock-based compensation cost	**56,848**	653,581
Depreciation and amortization	**18,520**	20,144
Loss on sale of marketable securities	**443,640**	-
Impairment charge on asset-backed commercial paper	**19,844**	-
Loss on foreign exchange	**3,647**	66,395
Discontinued operations	**-**	(585,885)
Changes in working capital items	**(240,679)**	(29,993)
	(797,895)	(1,078,515)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term investments	**1,962,653**	(1,962,653)
Asset-backed commercial paper	**(99,857)**	-
Sale of marketable securities	**545,370**	-
Sale of an exploration project	**-**	4,962,412
Capital assets	**(42,527)**	(3,219)
Deferred exploration expenses	**(6,959,864)**	(3,801,559)
	(4,594,225)	(805,019)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of warrants and options, net of expenses	**7,707,469**	3,683,906
Net increase in cash and cash equivalents	**2,315,349**	1,800,372
Cash and cash equivalents, beginning of year	**2,337,377**	537,005
Cash and cash equivalents, end of year	**4,652,726**	2,337,377
Interest and income taxes paid:	**-**	-
Non-cash items:		
Change in accounts payable related to exploration projects	**373,575**	1,024,018
Shares issued as settlement of accrued liabilities	**45,500**	-
Shares received in exchange of assets held for sale	**-**	3,700,000
Change in value of marketable securities	**(1,685,210)**	-
Exercise of options	**-**	55,050

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

Reunion Gold Corporation
(an exploration stage Company)
Consolidated Deferred Exploration Expenses

	Year ended March 31, 2008	Year ended March 31, 2007
	$	$
Balance, beginning of year	**4,677,354**	30,154
Geology	**1,067,223**	658,268
Geochemistry and geophysics	**1,294,860**	543,577
Drilling and assaying	**2,475,812**	1,448,157
Option payments and surface rights	**361,575**	417,212
Freight, transport and mobilization	**703,141**	476,475
Camp costs	**837,208**	522,682
Technical services and other	**563,099**	580,829
	7,302,918	4,647,200
Balance, end of year	**11,980,272**	4,677,354

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

1. Governing statutes and nature of operations

The Company, previously New Sleeper Gold Corporation (“NSGC”), was incorporated under the laws of the Province of British Columbia on September 23, 1987 and commenced its exploration activities in January 2004. The Company was continued under the CBCA on March 15, 2004 following the completion of a reverse takeover. On June 2, 2006, NSGC changed its name to Reunion Gold Corporation (“Reunion Gold” or the “Company”).

The activities of the Company consist of the exploration and development of mineral properties located in Suriname, South America. The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recovery of costs incurred on these properties is subject to the discovery of economic ore deposits and the ability to secure appropriate financing to place these properties into production. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Although the Company has taken steps to verify title to the mineral claims in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

All financial results in these financial statements are expressed in Canadian dollars unless otherwise indicated.

2. Accounting policies

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Accounting estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates and assumptions are based on management’s best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates. Significant areas where management judgement is applied are the carrying value of deferred exploration expenses, asset-backed commercial paper and stock-based compensation cost.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and of its wholly-owned inoperative subsidiary.

Cash and cash equivalents

Cash and cash equivalents include bank balances and short-term investments in money market instruments that are carried at fair value (at the lower of cost and fair value until March 31, 2007).

Short-term investments

Short-term investments consist of investments in money market investments with an original term of three months or more, but no longer than one year, that are carried at fair value (at the lower of cost and fair value until March 31, 2007).

2. Accounting policies (continued)

Asset-backed commercial paper

Investments in asset-backed commercial paper (“ABCP”) are designated as held for trading and are recorded at their fair value. Unrealized gains and losses are reported in operations. On initial recognition, the Company designated its ABCP as held for trading as the financial information generated by this classification is more relevant for decision-making and provides a better means for evaluating the Company’s performance.

Marketable securities

Marketable securities are classified as available-for-sale and are recorded at their fair value (at cost until March 31, 2007). Changes in fair value are recorded in other comprehensive income.

Capital assets

Capital assets are accounted for at cost and amortized over their estimated useful life using the straight-line method. Furniture is amortized over 5 years and computer equipment over 3 years.

Exploration projects

Acquisition costs and expenditures on mineral exploration programs are deferred until the commercial viability of the property is determined. If commercial production is achieved, the capitalized costs are amortized over the estimated useful life of the mine or on their anticipated useful life, if the useful life of the asset is less than the life of the mine. The Company reviews the carrying values of its exploration projects at least on an annual basis or whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable, by reference to project economics (including the timing of the exploration and / or development work), work programs and exploration results or if a project is abandoned. When it becomes apparent that the carrying value of a project exceeds its estimated net recoverable amount, an impairment charge is recorded.

Asset retirement obligation

The operations of the Company have been, and may in the future be, affected by changes in environmental regulations, including those for future removal and site restoration costs. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by the application of technically proven and economically feasible measures. An estimate for future costs of site restoration is made based on estimates that consider the anticipated method and extent of site reclamation required to meet legal standards. If required, a provision for the estimated costs is recognized by increasing the carrying amount of the related long-lived asset by the same amount as the liability. The liability is accreted to its present value and the capitalized cost is amortized over the useful life of the related asset. Reclamation costs incurred are charged against this provision. The effect of changes in regulations and cost assumptions are recognized when determined. As at March 31, 2008 and 2007, there were no material asset retirement obligation.

2. Accounting policies (continued)

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 the 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 rate is recognized in income in the year that includes the enactment date. 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.

Foreign currency translation

Financial statements of the Company's foreign subsidiary are translated using the temporal method whereby all monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Income and expenses are translated at the average rate in effect during the year with the exception of depreciation that is translated at the historical rate. Gains and losses on exchange arising from translation are recorded in operations for the year.

Loss per share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options and warrants. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon the exercise of options and warrants described in note 10. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years ended March 31, 2008 and 2007, this calculation proved to be anti-dilutive. Potentially dilutive instruments would, if exercised, increase the number of common shares by 18,341,165 in 2008 and 21,192,415 in 2007.

Stock option plan

The Company measures the compensation cost of stock options issued under an employee and non-employee compensation plan using a fair value-based method. Compensation costs are measured at the grant date based on the fair value of the award using the Black-Scholes option-pricing model and are recognized over the related service period as an expense with a corresponding increase to contributed surplus. When the options are exercised, the capital stock is credited by the sum of the consideration paid by the holders and the related portion previously credited to contributed surplus at the time that the stock-based compensation was charged to consolidated operations.

Allocation of proceeds on equity financing

The Company allocates the proceeds from an equity financing between common shares and share purchase warrants based on the relative fair values of each instrument. The fair value of the common shares is calculated by using the TSX Venture Exchange share price on the date of the issuance and the fair value of the share purchase warrants is determined using the Black-Scholes valuation model.

2. Accounting policies (continued)

Share issue expenses

Share issue expenses are charged to deficit when incurred.

Changes in accounting policies

Financial Instruments

Effective April 1, 2007, in accordance with the applicable transitional provisions, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3861, *Financial Instruments - Disclosure and Presentation* and Section 3865, *Hedges*. These new Handbook Sections provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting.

Under Section 3855, all financial instruments are to be measured at fair value except for loans and receivables, held to maturity investments and other financial liabilities, which are to be measured at amortized cost. Held for trading financial assets are to be measured at fair value and changes in fair value are to be recognized in operations. Available-for-sale financial instruments are to be measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is sold or impaired. Section 1530 establishes standards for the reporting of comprehensive income, defined as the change in equity from transactions and other events from non-owner sources, and include items that would not normally be included in operations, such as unrealized gains or losses on available-for-sale investments.

Adoption of these new recommendations resulted in the following classification and measurement of the Company's financial instruments which were previously recorded at cost. Cash and cash equivalents and short-term investments are classified as held for trading. They are measured at fair value and changes in fair value are recognized in operations. Amounts receivable are classified as loans and receivables and accounts payable and accrued liabilities are classified as other liabilities. They are measured at amortized cost. Marketable securities are classified as available-for-sale with changes in fair value recorded in other comprehensive income until the investments are sold or become impaired.

As a result of the adoption of these new standards, the Company has reflected as at April 1, 2007 a reduction of $600,000 of the fair value of its marketable securities and an opening adjustment of $600,000 to "Accumulated Other Comprehensive Loss" in the shareholders' equity section of the consolidated balance sheets and a decrease of $1,085,210 in marketable securities with a corresponding charge to accumulated other comprehensive loss for the year ended March 31, 2008.

Accounting changes

On April 1, 2007, in accordance with the applicable transitional provisions, the Company applied the recommendations of Section 1506, "Accounting Changes", of the CICA Handbook. This new section, effective for years beginning on or after January 1, 2007, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Company. The new standard had no impact on the Company's financial results.

2. Accounting policies (continued)

Recently issued accounting pronouncements

In December 2006, the CICA published Section 1535, *Capital Disclosures*. This new section establishes standards for disclosing information about an entity's capital and how it is managed. It is effective for fiscal years beginning on or after October 1, 2007 and the Company will implement it as of April 1, 2008. Furthermore, in December 2006, the CICA published Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*, which establish standards for the presentation and disclosure of financial instruments and non-financial derivatives. These new accounting standards only address disclosures and will have no impact on the Company's financial results.

In June 2007, the CICA modified Section 1400, *General Standards of Financial Statement Presentation*, in order to require that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Company will implement them as of April 1, 2008. The new requirements only address disclosures and will have no impact on the Company's financial results.

In February 2008, the CICA published Section 3064, *Goodwill and Intangible Assets*, to replace Section 3062, *Goodwill and Other Intangible Assets*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. This section is effective for fiscal years beginning on or after October 1, 2008 and the Company will implement it as of April 1, 2009. The Company's management does not expect that the application of this new section will have a significant impact on its financial statements.

The Accounting Standard Board (AcSB) of the CICA has adopted a new strategy for convergence with international financial reporting standards (IFRS) for public companies. As confirmed by the AcSB on February 13, 2008, the conversion requires publicly accountable enterprises to fully adopt IFRS in 2011. The changeover date to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The intention is presently to adopt IFRS, as published by the International Accounting Standards Board (IASB), without modification. The Company's management has not yet assessed the impact that the adoption of IFRS will have on its financial statements.

3. Cash and cash equivalents and short-term investments

	March 31, 2008	March 31, 2007
	$	$
Cash and cash equivalents		
Cash	**2,652,162**	339,801
Short-term investments, with initial maturities of less than three months, bearing interest at a rate of 3.43% (4.45% at March 31, 2007)	**2,000,564**	1,997,576
	4,652,726	2,337,377
Short-term investments		
Short-term investments, with initial maturities of more than three months but less than six months, bearing interest at a rate of 4.27% at March 31, 2007	**-**	1,962,653

4. Amounts receivable

	March 31, 2008	March 31, 2007
	$	$
From companies under common management (a)	**133,979**	102,874
Other (b)	**213,949**	10,267
	347,928	113,141

(a) An amount of $822,633 in 2008 ($477,639 in 2007) was charged back to companies under common management for management services. These related party transactions were conducted in the normal course of business and measured at their exchange and agreed amount.

(b) Includes an amount of $200,000 owed by a Company controlled by the Chairman of the Company. This non-interest bearing receivable was advanced on March 10, 2008 and repaid on April 24, 2008.

5. Asset-Backed Commercial Paper

At March 31, 2008, the Company held $99,857 of non-bank sponsored ABCP (before accounting for an impairment charge). These investments matured on August 16, 2007 but no payment has been received. At the time the Company acquired these investments, the non-bank sponsored ABCP were rated R-1 (High) by DBRS Limited ("DBRS").

On August 16, 2007, a group representing banks, asset providers and major investors announced that they had agreed in principle to a long-term proposal and interim agreement to convert the ABCP into term floating-rate notes ("FRN") maturing no earlier than the scheduled termination dates of the underlying assets (the "Montreal Proposal ABCP"). On September 6, 2007, a Pan Canadian Committee (the "Committee") consisting of a panel of major Montreal Proposal ABCP investors was formed. The Committee subsequently retained Goodmans and JP Morgan Chase as legal and financial advisors, respectively, to oversee the proposed restructuring process. On October 16, 2007, the Chairman of the Committee announced the proposed restructuring of one of the 22 conduits affected by this crisis. On December 23, 2007, the Committee announced that an agreement in principle had been reached regarding a comprehensive restructuring of the ABCP issued by 20 of the 21 remaining trusts covered by the Montreal Proposal ABCP. The implementation of the restructuring is subject to a number of conditions, including approvals by noteholders (see note 18 - subsequent events).

The non-bank sponsored ABCP last traded in the active market on or about August 13, 2007 and there are no market quotations available for these ABCP. At March 31, 2008, the Company established the fair value of the ABCP it holds by estimating discounted future cash flows considering the best available market data. The Company used a loss factor of 19% on its investments, none of which are exposed to US sub-prime mortgages, and assumed that margin facility and restructuring costs would offset accrued interest to March 31, 2008. This estimation of fair value resulted in an impairment charge of $19,844 in 2008.

Since the fair value of the ABCP held is determined based on the Company's assessment of market conditions as at March 31, 2008, the fair value reported may change in subsequent periods. In addition, the fair value estimates are dependent upon the likelihood, nature and timing of the proposed restructuring.

6. Marketable securities

	Cost	**Unrealized Losses**	**March31, 2008 Fair value**	March31, 2007 Cost
	$	**$**	**$**	$
7,327,000 shares of X-Cal (10,000,000 shares at March 31, 2007)	2,710,990	1,685,210	1,025,780	3,700,000

On May 16, 2006, the Company received a total of 10,000,000 common shares of X-Cal Resources Ltd. ("X-Cal") as partial settlement for the sale of the Company's interest in New Sleeper Gold LLC ("NSG LLC"). In 2008, the Company sold 2,673,000 shares in X-Cal for net proceeds of $545,370. The resulting loss on sale of $443,640 was calculated based on the carrying value of the X-Cal shares on March 31, 2007. At March 31, 2008, a total of 2,500,000 X-Cal shares remained restricted until May 16, 2008.

7. Capital assets

	Cost	Accumulated depreciation	March 31, 2008 Net
	$	**$**	**$**
Furniture	**50,450**	**(21,466)**	**28,984**
Computer equipment	**51,019**	**(32,929)**	**18,090**
	101,469	**(54,395)**	**47,074**

	Cost	Accumulated depreciation	March 31, 2007 Net
	$	$	$
Furniture	27,784	(13,643)	14,141
Computer equipment	47,814	(38,888)	8,926
	75,598	(52,531)	23,067

8. Exploration projects

The breakdown of accumulated costs by project is as follows:

	March 31, 2008	March 31, 2007
	$	$
Lely	**1,152,254**	-
Antino 1	**10,828,018**	4,677,354
Three Hills	**-**	-
	11,980,272	4,677,354

Lely, Suriname

On October 15, 2007, the Company entered into an agreement (the “Assignment Agreement”) (with amendment dated May 6, 2008) with Laurentian Mountains Resources Inc. (“LMR”) whereby the Company may undertake exploration and acquire a 100% interest over an 82,850-hectare project located on the Lely Mountain and adjacent land in Eastern Suriname, South America (the “Lely Project”). Under the terms of the agreement, LMR assigned and transferred to the Company all of its rights and interests in an option agreement between LMR and Grasshopper Aluminum Company N.V. (“Grassalco”), a Surinamese state-owned mining company, holding the three rights of exploration composing the Lely Project (the “Option Agreement”).

8. Exploration projects (continued)

Lely, Suriname (continued)

Under the Option Agreement, the Company will have the right to explore, develop and acquire from Grassalco the Lely Project. To maintain its rights in the Option Agreement, the Company will have to pay to Grassalco the following amounts: US$100,000 the first year (which amount has been paid by LMR and will be reimbursed by the Company upon final approval of the transaction), US $100,000 the second year, US$125,000 the third year, US$200,000 the fourth year and US$ 250,000 each of the following years until completion of a feasibility study. An additional US$300,000 is payable to Grassalco upon the Company obtaining a right of exploitation and all required permits to commence construction of a mine on the Lely Project. Grassalco agreed to transfer the rights of exploration as soon as an amount of US$5 million has been spent in exploration on the project. Under the Option Agreement, the minimum exploration expenditures are US$8 million over a five-year period including US$500,000 the first year. At March 31, 2008, a cumulative amount of $1,052,254 (excluding option payments) had been spent on the Lely Project. Grassalco will retain a Net Smelter Return Royalty varying between 3% and 5% depending on the price of gold. This royalty includes the royalty payable to the government of Suriname under the mining laws of Suriname. After completion of a feasibility study and environmental impact study, Grassalco will have a 90-day option to acquire a 20% interest in the project at the then market price.

The sole shareholder and president of LMR is Mr. David Fennell, the Chairman of the Company. Under the proposed terms of the transaction between the Company and LMR, LMR would receive at closing 2 million common shares of the Company (valued at $2 million) and would receive 2 additional common shares for each measured and / or indicated ounce of gold reported in a technical report prepared in compliance with National Instrument 43-101. The terms of the transaction between LMR and the Company were approved by a committee of the Board of Directors composed entirely of independent directors. The closing of the transaction with LMR is subject to the approval of the TSX Venture Exchange and other customary conditions (see subsequent events – note 18).

Antino 1, Suriname

In January 2006, the Company signed an agreement with Laurentian Mountains Investments Ltd. (“LMI”), under which the Company acquired the right to explore, develop and acquire the Antino 1 Project located in Suriname. Under the January 2006 agreement, LMI assigned and transferred to the Company all of its rights and interests in an option agreement between LMI and Nana Resources N.V. (“Nana”), a Surinamese company that holds the Rights of Exploitation known as the Antino 1 Project (the “Option Agreement”). In April 2006, following a due diligence period, the Company undertook exploration activities on the Antino 1 Project and paid an option amount of US $65,000.

During the exploration phase, the Company is also required to make the following additional payments: a) US $135,000 which was paid on October 20, 2006; b) US $100,000 which was paid on the anniversary of the second payment (October 20, 2007); and c) US $200,000 on each subsequent anniversary, until the Option is exercised. Also, the Company is required to pay Nana an annual amount of US $300,000 for Nana to cease its current small scale exploitation activities during the exploration phase. Such an amount was paid and / or accrued in full in 2007.

8. Exploration projects (continued)

Antino 1, Suriname (continued)

The Company is entitled to exercise the Option at any time after having incurred expenditures of at least US $5,000,000 and completing a feasibility study, by providing a written notice to Nana of such exercise; at that time, the Company will be deemed to own a 100% undivided interest in the Antino 1 Project. Upon exercise of the Option, the Company and Nana will submit to the government of Suriname a request to have the rights and interests of Nana in Antino 1 transferred to the Company.

After having exercised the Option, the Company will have to pay to Nana the following amounts: a) US $500,000 within 30 days of receiving all necessary permits to construct and operate the mine; b) US $1,000,000 twelve months after the commencement of commercial production; and c) quarterly payments equal to 1.5% of quarterly commercial mineral production. The Company can terminate the Option Agreement at any time by providing a 30-day prior written notice.

The sole shareholder of LMI is Mr. David Fennell, the Chairman of the Company. Since the transaction between the Company and LMI was not at arm's length, the terms of the transaction between LMI and the Company were determined by a committee of the Board of Directors composed entirely of independent directors. Under the proposed terms of the transaction, LMI is entitled to receive consideration in shares of the Company as follows: a) upon the definition of a mineral resource of 500,000 ounces of gold, the Company will issue to LMI 400,000 common shares of the Company; b) upon the definition of a mineral resource of 1,000,000 ounces of gold, the Company will issue to LMI a further 400,000 common shares of the Company; and c) upon the definition of a mineral resource of 2,000,000 ounces of gold, the Company will issue to LMI a further 800,000 common shares of the Company.

Three Hills, Alberta

The Company holds an 8.25% interest after payout in the gas well of the Three Hills property located in the Joffre area of Alberta. The cost of this property has been fully amortized.

9. Disposal of the Sleeper Project

On May 16, 2006, the Company sold to X-Cal its 50% interest in NSG LLC, the holder of the Sleeper Project. Under the terms of the sale agreement, X-Cal paid an amount of Can $5,000,000 and issued 10 million of its common shares to the Company. Results of operations presented as discontinued operations are as follows:

	Year ended March 31, 2008	Year ended March 31, 2007
	$	$
Interest income	-	8,371
Administration expenses	-	15,196
Exploration expenses	-	106,452
Accretion - asset retirement obligation	-	7,288
Reversal of write-down of exploration projects (a)	-	(600,000)
	-	(471,064)
	-	479,435

(a) The amount of $600,000 represents the difference between the value of the X-Cal shares on the agreement date of January 25, 2006 ($3,100,000) and the subsequent closing date of May 16, 2006 ($3,700,000).

10. Capital stock

Authorized

Unlimited number of common shares, issuable in series.

Unlimited number of preferred shares, issuable in series. The preferred shares are issuable from time to time in one or more series in such numbers and with such attributes as the directors may determine by resolution.

The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, rank on a parity with the preferred shares of every other series and be entitled to a preference and priority over the common shares and over any other shares of the Company ranking junior to the preferred shares.

Subject to the rights, privileges, restrictions and conditions that may be attached to a particular series of preferred shares by the directors of the Company in accordance with the conditions attaching to the preferred shares, in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or upon another return of capital or distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the preferred shares shall be entitled to receive, before any distribution of any part of the assets of the Company among the holders of any other shares, for each preferred share, an amount equal to the redemption price of such share and any dividends declared thereon and unpaid and no more.

10. Capital stock (continued)

Issued and fully paid – Common shares

	Year ended March 31, 2008		Year ended March 31, 2007	
	Number of shares	**Amount**	Number of shares	Amount
		$		$
Balance, beginning of year	**40,721,816**	**37,541,270**	37,743,691	33,068,327
Issued				
Exercise of warrants	**70,000**	**87,500**	2,823,125	4,262,893
Early exercise of warrants (a)	**6,112,500**	**6,367,479**	-	-
For services provided to the Company (b)	**25,000**	**17,500**	-	-
In settlement of expenses (b)	**40,000**	**28,000**	-	-
Exercise of stock options	**-**	**-**	155,000	210,050
Balance, end of year	**46,969,316**	**44,041,749**	40,721,816	37,541,270

Issuance of shares and warrants

(a) As part of an incentive program to encourage the early exercise of warrants issued in 2004 (the "2004 Warrants"), the Company issued in November and December 2007 a total of 6,112,500 Units (or a total of 6,112,500 common shares and 3,056,250 common share purchase warrants) for gross proceeds of $7,640,625. This incentive offer was applicable until December 31, 2007 to all remaining 2004 Warrants (other than broker warrants), exercisable at a price of $1.25 per share.

The 2004 Warrants were issued as part of a private placement completed in early 2004 and expiring in early 2009. In order to encourage the early exercise of the 2004 Warrants, the Company received approval from the required two-thirds of the holders of the 2004 Warrants and acceptance from the TSX Venture Exchange in November 2007 to amend the terms of the 2004 Warrants such that each warrant holder who exercised its 2004 Warrants during the 30-day incentive program (and subsequently amended to 45 days) would receive one Unit, each such Unit consisting of one common share and one half of one warrant (each whole warrant, a "2007 Warrant"). Each 2007 Warrant allows the holder to acquire one common share of the Company at an exercise price of $1.50 for a period of 24 months following the date of the issuance of the Units.

The 2007 Warrants are subject to a four-month hold period. Holders of the 2004 Warrants that did not exercise the amended 2004 Warrants by December 31, 2007 will continue to hold 2004 Warrants exercisable for common shares of the Corporation on their original terms. The fair value of the common share purchase warrants was measured based on the Black-Scholes option pricing model using a risk-free interest rate of 4.02%, an expected life of the warrants of 2 years, an annualized volatility of 81% and a dividend rate of 0%. An amount of $1,273,146 was allocated to share purchase warrants and presented as part of contributed surplus.

10. Capital stock (continued)

Issuance of shares and warrants (continued)

The calculation of the basic and diluted loss per share, from continued operations and the basic and diluted loss per share includes the impact of the value of the incentive warrants granted to those holders of 2004 Warrants that exercised their warrants during the 45-day incentive program ending December 31, 2007, which value was established at $1,273,146 ($0.03 per share).

(b) In May 2007, the Company issued 25,000 common shares to its Chairman as consideration for services provided to the Company in its acquisition of the right to explore, develop and acquire the Antino 1 property in Suriname and 40,000 common shares to LMI in settlement of various expenses paid for by LMI for the benefit of the Company. The common shares were issued at a deemed price of $0.70 per share, being the price in effect at the time that the services were provided and the expenses incurred. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed between the parties.

Warrants

	Year ended March 31, 2008	Year ended March 31, 2007
Number of warrants		
Balance, beginning of year	**17,622,415**	20,445,540
Issued	**3,056,250**	-
Exercised	**(6,182,500)**	(2,823,125)
Balance, end of year	**14,496,165**	17,622,415

At March 31, 2008, the outstanding number of warrants exercisable into common shares was as follows:

	Number of warrants March 31, 2007	Issued / (Exercised)	**Number of warrants March 31, 2008**	Price per share	Expiry date
				$	
Promoters and founders – Dec 2003	2,000,000	-	**2,000,000**	1.25	2008-12-29
Private placement - Jan 2004	14,983,500	(6,182,500)	**8,801,000**	1.25	2009-01-07
Broker warrants - Jan 2004	638,915	-	**638,915**	1.25	2009-01-07
Incentive program – Dec 2007	-	3,056,250	**3,056,250**	1.50	2009-12-31
	17,622,415	(3,126,250)	**14,496,165**		

The value of the January 2004 broker warrants (in the amount of $293,901), which was previously presented with capital stock, was reclassified to contributed surplus on April 1, 2007, thus affecting the opening balance of contributed surplus for the year ended March 31, 2007.

10. Capital stock (continued)

Stock option plan

The shareholders of the Company have adopted and approved a stock option plan (the "2004 Stock Option Plan") for certain employees, senior officers and directors or consultants to the Company and its affiliates. The Board of Directors has delegated the authority to oversee the 2004 Stock Option Plan to the Compensation and Corporate Governance Committee of the Company (the "Compensation Committee"). The Compensation Committee may determine the time during which any options may vest. The exercise price of an option shall not be lower than the price permitted by any stock exchange on which the common shares are then listed. The options shall be for such periods as the Compensation Committee determines up to a maximum of five years. The maximum number of common shares issuable pursuant to the 2004 Stock Option Plan shall in no event exceed 10% of the total number of common shares outstanding from time to time.

The following table sets out the activity in stock options:

	Year ended March 31, 2008	Year ended March 31, 2007
Number of options, beginning of year	**3,570,000**	3,595,000
Granted	**275,000**	495,000
Exercised	**-**	(155,000)
Cancelled	**-**	(365,000)
Number of options, end of year	**3,845,000**	3,570,000
Number of options exercisable, end of year	**3,611,666**	3,320,000

At March 31, 2008, outstanding options have the following features:

Grant date	Exercise price	Balance, March 31, 2007	Granted	Exercised	Cancelled	**Balance, March 31, 2008**	Number of options exercisable	Residual exercise period
	$							
Jan 7, 2004	1.00	2,900,000	–	–	–	**2,900,000**	2,900,000	0.75 years
June 21, 2004	0.88	25,000	–	–	–	**25,000**	25,000	1.25 years
Nov 16, 2005	0.20	150,000	–	–	–	**150,000**	150,000	2.75 years
Aug 24, 2006	1.96	50,000	–	–	–	**50,000**	50,000	3.50 years
Oct 2, 2006	1.57	385,000	–	–	–	**385,000**	385,000	3.50 years
Oct 20, 2006	1.50	50,000	–	–	–	**50,000**	50,000	3.50 years
Mar 26, 2007	2.15	10,000	–	–	–	**10,000**	10,000	4.00 years
Feb 26, 2008	1.04	-	275,000	–	–	**275,000**	41,666	5.00 years
		3,570,000	275,000	–	–	**3,845,000**	3,611,666	

10. Capital stock (continued)

Stock option plan (continued)

During the year, the Company granted to employees, directors and consultants options to purchase 275,000 common shares of the Company (495,000 options to purchase common shares during the year ended March 31, 2007) at a price of $1.04 per share (weighted-average price of $1.61 in 2007). The options are for a five-year period. A total of 41,666 options vested at the date of grant and the remaining 233,334 options will vest at different dates until February 2010. The fair value of the options granted was estimated at $0.67 per share (between $1.23 and $1.77 per share in 2007) using an expected time-period of 5 years, a semi-annual risk-free interest rate of 4.02% (between 3.87% and 4.10% in 2007), a volatility rate of 75% (between 129% and 135% in 2007) and a 0% dividend factor. Accordingly, the Company recorded a stock-based compensation cost of $56,848 during the year ($653,581 in 2007) relating to these options and the contributed surplus was increased by the same amount.

11. Financial instruments and risk management

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, deposits, ABCP, marketable securities and accounts payable and accrued liabilities. Other than ABCP and marketable securities, the fair value of these financial instruments approximates their carrying values, given that they will mature shortly. Other than short-term investments and ABCP, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At March 31, 2008, the Company had the following balance sheet items denominated in United States dollars: cash of $160,576 ($66,447 in 2007), deposits of $118,800 ($100,000 in 2007) and accounts payable and accrued liabilities of $832,731 ($886,575 in 2007).

The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day projection, 180-day and 360-day lookout periods. Due to the nature of the activities of the Company, funding for long-term liquidity needs are dependent on the Company's ability to obtain additional financing, through various means, including equity financing. The Company's cash and cash equivalents are held through one Canadian chartered bank.

The Company's risk management is coordinated by the officers of the Company, in close co-operation with the members of the board of directors.

12. Commitments

The Company has entered into a long-term lease agreement expiring in June 2012 which calls for lease payments of $292,912 for the rental of office space. Minimum lease payments are $68,921 in each of the years 2009 to 2012 and $17,230 in 2013.

13. Related party transactions

In 2008, the Company paid an amount of $814,492 in drilling expenditures ($677,016 in 2007) to a company of which the Chairman of the Company is a director. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

14. Income taxes

The income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate as follows:

	Year ended March 31, 2008 $	Year ended March 31, 2007 $
Loss from continued operations	**(1,099,715)**	(1,682,192)
Income tax benefit at combined Canadian statutory rate of 31.8% (32.0% in 2007)	**(349,160)**	(538,638)
Unrecognized tax benefit	**183,385**	309,023
Non-deductible items	**165,775**	229,615
Income tax recovery	**-**	-

As at March 31, 2008 and 2007, the future income tax assets and liabilities were detailed as follows:

			March 31, 2008
	United States $	**Canada $**	**Total $**
Financing fee carryforwards	**-**	**86,244**	**86,244**
Unrealized foreign exchange losses	**-**	**570**	**570**
Net operating loss carryforwards	**4,509,009**	**1,864,057**	**6,373,066**
Capital loss carryforwards	**-**	**782,596**	**782,596**
Marketable securities	**-**	**226,661**	**226,661**
Exploration projects	**-**	**1,079,236**	**1,079,236**
Other	**-**	**48,593**	**48,593**
	4,509,009	**4,087,957**	**8,596,966**
Valuation allowance	**(4,509,009)**	**(4,087,957)**	**(8,596,966)**
Future income tax asset	**-**	**-**	**-**

14. Income taxes (continued)

			March 31, 2007
	United States	Canada	Total
	$	$	$
Financing fee carryforwards	-	270,445	270,445
Unrealized foreign exchange losses	-	36,582	36,582
Net operating loss carryforwards	5,071,701	1,858,076	6,929,777
Exploration projects	-	1,284,651	1,284,651
Capital assets	-	4,354	4,354
	5,071,701	3,454,108	8,525,809
Valuation allowance	(5,071,701)	(3,454,108)	(8,525,809)
Future income tax asset	-	-	-

Losses carried forward as at March 31, 2008 will expire as follows:

	United States	Canada
	$	$
2012	-	320,060
2013	-	147,940
2014	-	727,120
2015	-	1,734,387
2024	63,429	-
2025	417,168	-
2026	1,045,954	1,460,212
2027	13,287,411	1,458,642
2028	-	1,081,218
	14,813,962	6,929,579

The Company also has $4,012,000 in cumulative Canadian exploration expenses, $5,597,000 in Canadian eligible capital losses and $11,980,000 in cumulative foreign exploration expenses for tax purposes available indefinitely to reduce related taxable income in future years.

Tax pools and future income tax assets in Canada as at March 31, 2007 were adjusted during the year to reflect the recognition by the tax authorities of expenditures that had been incurred by the Company before the 2004 reverse takeover transaction. Tax pools and future income tax assets in the United States as at March 31, 2007 were adjusted during the year to reflect the appropriate tax treatment of the sale in 2007 of the Company's interest in NSG LLC.

15. Accumulated other comprehensive loss

	Year ended March 31, 2008	Year ended March 31, 2007
	$	$
Balance, beginning of year	**-**	-
Changes during the year:		
Impact of changes in accounting policies at beginning of year – unrealized loss on marketable securities	**(600,000)**	-
Other comprehensive loss related to marketable securities	**(1,528,850)**	-
Reclassification to operations of realized loss on disposal of marketable securities	**443,640**	-
Balance, end of year	**(1,685,210)**	-

16. Segmented Information

The Company has one reportable operating segment being the acquisition and exploration of mineral properties. As at March 31, 2008 and 2007, deferred exploration expenses had been incurred in Suriname, South America and capital assets had been incurred in Canada.

17. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

18. Subsequent events

ABCP

On March 20, 2008, an Information Statement in respect of a Plan of Compromise and Arrangement (the “Plan”), pursuant to the Companies Creditors Arrangement Act (“CCAA”) was sent to all noteholders of Canadian third-party structured ABCP. A meeting of the noteholders to vote on the Plan was held on April 25, 2008 and noteholders approved the Plan. Final court approval was obtained on June 6, 2008. It is anticipated that the restructuring will be completed during the third quarter of 2008.

Lely Project, Suriname

On June 16, 2008, the TSX Venture Exchange accepted the assignment to the Company of the rights of LMR in an option agreement with Grassalco as described in note 8. The transaction with LMR closed on June 18, 2008. In accordance with the Assignment Agreement, the Company issued to LMR 2 million of its common shares and reimbursed to LMR an option payment of US$100,000.

REUNION GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2008

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Reunion Gold Corporation ("Reunion Gold" or the "Company"), dated June 20, 2008, covers the years ended March 31, 2008 and 2007 and should be read in conjunction with the audited consolidated financial statements and related notes for the years ended March 31, 2008 and 2007 (the "March 31, 2008 and 2007 consolidated financial statements").

The March 31, 2008 and 2007 consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). All financial results are expressed in Canadian dollars unless otherwise indicated.

BUSINESS OVERVIEW

The Company is in the business of acquiring and exploring mineral properties. The Company has not yet determined whether its properties contain mineral resources or mineral reserves. To this date, the Company has not generated any revenues from operations. The Company's focus is on projects in the Guiana Shield in South America. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Lely Mountain, Suriname

On October 15, 2007, the Company entered into an agreement (the "Assignment Agreement") (with amendment dated May 6, 2008) with Laurentian Mountains Resources Inc. ("LMR") whereby Reunion may undertake exploration and acquire a 100% interest over an 82,850-hectare project located on Lely Mountain and adjacent land in Eastern Suriname, South America (the "Lely Project"). Under the terms of the Assignment Agreement, LMR assigned and transferred all of its rights and interests in an option agreement between LMR and Grasshopper Aluminum Company N.V. ("Grassalco"), a Surinamese state-owned mining company holding the three rights of exploration composing the Lely Project (the "Option Agreement"). On June 16, 2008, the TSX Venture Exchange accepted the assignment to the Company of the rights of LMR in the Option Agreement with Grassalco.

Under the Option Agreement, the Company will have the right to explore, develop and acquire from Grassalco the Lely Project. To maintain its rights in the Option Agreement, the Company will have to pay to Grassalco the following amounts: US$100,000 the first year (which amount has been paid by LMR and was reimbursed by the Company on June 18, 2008, the closing date of the transaction), $100,000 the second year, US$125,000 the third year, US$200,000 the fourth year and US$ 250,000 each of the following years until completion of a feasibility study. An additional US$300,000 is payable to Grassalco upon the Company obtaining a right of exploitation and all required permits to commence construction of a mine on the Lely Project. Grassalco agreed to transfer the rights of exploration as soon as an amount of US$5 million has been spent in exploration on the project. Under the Option Agreement, the minimum exploration expenditures are US$8 million over a five-year period including US$500,000 the first year. Grassalco will retain a net smelter return royalty varying between 3% and 5% depending on the price of gold. This royalty includes the royalty payable to the government of Suriname under the mining laws of Suriname. After completion of a feasibility study and environmental impact study, Grassalco will have a 90-day option to acquire a 20% interest in the Lely Project at the then market price.

The sole shareholder and president of LMR is Mr. David Fennell, the Chairman of the Company. Under the terms of the Assignment Agreement, LMR received on June 18, 2008, the closing date of the transaction, 2 million common shares of the Company and the reimbursement of $100,000 as mentioned above. LMR will be entitled to receive 2 additional common shares for each ounce of gold reported as a measured and/or indicated resource in a technical report prepared in compliance with National Instrument 43-101. The terms of the transaction between LMR and the Company were approved by a committee of the Board of Directors composed entirely of independent directors.

Antino 1, Suriname

In January 2006, the Company signed an agreement with Laurentian Mountains Investments Ltd. (“LMI”) under which the Company acquired the right to explore, develop and acquire the Antino 1 Project, located in Suriname. Under the January 2006 agreement, LMI assigned and transferred to the Company all of its rights and interests in an option agreement between LMI and Nana Resources N.V. (“Nana”), a Surinamese company that holds the Rights of Exploitation known as the Antino 1 Project (the “Option Agreement”). Until the option is exercised, the Company is required to make annual payments of US $200,000. Also, the Company is required to pay Nana an annual amount of US $300,000 for Nana to cease its small scale exploitation activities during the exploration phase.

The Company is entitled to exercise the option at any time after incurring exploration expenditures of at least US $5,000,000 and completing a feasibility study, by providing a written notice to Nana of such exercise; at that time, the Company will be deemed to own a 100% undivided interest in the Antino 1 Project. Upon exercise of the option, the Company and Nana will submit to the government of Suriname a request to have the rights and interests of Nana in Antino 1 transferred to the Company. After having exercised the option, the Company will have to pay to Nana US $500,000 within 30 days of receiving all necessary permits to construct and operate the mine; US $1,000,000 twelve months after the commencement of commercial production; and quarterly payments equal to 1.5% of quarterly commercial production.

The Company can terminate the option agreement at any time by providing a 30-day prior written notice to Nana.

Early Exercise of 2004 Warrants

As part of an incentive program to encourage the early exercise of warrants issued in 2004 (the “2004 Warrants”). the Company issued during the year ended March 31, 2008 a total of 6,112,500 common shares and 3,056,250 common share purchase warrants, for gross proceeds of $7,640,625.

The incentive offer was applicable to 14,913,500 2004 Warrants (at an exercise price of $1.25 per share), which were issued as part of a private placement completed in January and February of 2004 and are due to expire in January and February 2009, as applicable. The incentive program was approved by the required two-thirds of the holders of the 2004 Warrants and final acceptance from the Exchange was obtained on November 15, 2007.

In order to encourage the early exercise of the 2004 Warrants, the Company amended the terms of the 2004 Warrants such that each warrant holder who exercised its 2004 Warrants during the 30-day incentive program (subsequently amended to 45 days) received one unit (in lieu of one common share) consisting of one common share and one half of one warrant (each whole warrant, a “2007 Warrant”). Each 2007 Warrant allows the holder to acquire one common share of the capital of the Company at an exercise price of $1.50 for a period of 24 months following the date of the issuance of the units. The 2007 Warrants are subject to a four-month hold period. Holders of the 2004 Warrants that did not exercise the amended 2004 Warrants by December 31, 2007 continue to hold 2004 Warrants exercisable for common shares of the Company on their original terms.

Exploration Activities

During the year ended March 31, 2008, the Company incurred total exploration expenditures of $7,302,918 on its exploration properties, including $6,150,664 on the Antino 1 Project and $1,152,254 on the Lely Project. In 2007, the Company had incurred exploration expenditures of $4,647,200 on the Antino 1 Project.

Lely Project

The Lely Project is an early stage exploration project with limited previous exploration activity having been carried out to evaluate the gold and base metal potential of the area. The Company has started geologic mapping in the western portion of the project, the compilation of a digital database of all existing information and site investigations to examine some of the artisanal mining activities in the northwest part of the project. The Company has started establishing roads and camps for exploration. Soil sampling methods are being reviewed and tested. An airborne magnetic and radiometric survey on 250m line spacing was carried out and completed in April 2008, with resulting data currently being analyzed.

Other activities to be carried out in the coming months are as follows:

- geologic mapping of creeks and saprolite exposures within areas of small scale mining activities;
- interpretation of high resolution satellite imagery, identification of all artisanal gold mining operations, inspection, mapping and sampling of such workings;
- mapping of regolith to access soil sampling results and methods, in particular recognizing transported versus in situ soil development in this deeply weathered region with steep topography from the Lely Plateau;
- pilot studies on sample method, sample depth, spacing, and orientation to be applied to ridge and spur geochemical sampling and grid sampling in areas of small scale mining; and
- trenching and drilling in areas of positive results.

Antino 1

The exploration program got underway at Antino 1 in June 2006 with the start of a 3-meter auger soil geochemistry program on the Maripasula Creek target in the southern part of the project. The program aimed at defining and extending mineralized zones previously exploited by artisanal miners. Two locations called Felice and Broko Laka were of particular interest. The early 2007 exploration program consisted of geological mapping, auger soil geochemistry on grid-lines 100 meters apart with samples every 50 meters, excavator trenching followed by reverse circulation and diamond drilling.

Data from auger soil sampling to a depth of 3 metres, scout drilling, and trench sampling suggested that Felice and Broko Laka were part of a continuous mineralized system extending northwest of Felice and southeast of Broko Laka.

The drilling at Felice showed that saprolite extends to a vertical depth of 61 metres. Mineralization is characterized by centimeter to sub-metre scale quartz veins in a dilatant shear. The shear is hosted within a package of pelitic meta-sediments that is intruded by a coarse grained tonalitic “quartz-eye” porphyry.

At Broko Laka, drilling was aimed at testing the strike direction of the quartz vein swarm worked in the now abandoned underground artisanal workings, where high-quality specimens of visible gold hosted in quartz veins were recovered. Saprolite extends to a vertical depth of approximately 24 metres. Mineralization is characterized by centimeter to sub-metre scale quartz veins. These are hosted in peletic and graphitic metasediments which have been intruded by coarse grained tonalitic porphyry, similar to the Felice area. Attendant alteration comprises weak silicified haloes around quartz veins with minor, medium grained disseminated pyrite and sericite.

Except for one hole, all holes were drilled perpendicular to the inferred strike direction of the mineralization, however, the orientation of the mineralized zones is not yet well understood so it is not possible to define true thicknesses of mineralization.

In mid-2007, the Company carried out work on a number of other targets, including Upper Antino, located northwest of Maripasula, T1a, located in the northern portion of Antino, HQ, immediately southwest of T1a and Guanaman, situated south of Upper Antino.

An auger grid at HQ was created based on the presence of large quartz boulders in alluvial workings at the margins of the T1a anomaly. Infill augering was also completed at 25-meter spacing, based on encouraging assays. All auger lines, creeks, topographic high points, and roads in the T1a vicinity have been mapped. Soil auger gold anomalies and quartz float are ubiquitous in topographically high areas within the magnetic anomaly, with gold anomalies and quartz float also present in adjacent alluvial material. Steeply dipping in situ veining has been mapped in coarse grained, quartz-rich intrusive rocks, from which much of the gold and quartz in the region may be derived.

In late 2007, the focus of the drill program shifted focus towards the Upper Antino target. Validation and re-location of existing holes was undertaken in the northern part of Upper Antino. The drilling plan focused on delineating the extent of the main Upper Antino structure. Four sites were located for preparation to the south of the explored system, and five to the north of the target.

In early 2008, the Company conducted a follow-up drilling program at Antino and carried out a review of all data and assays received to date. Work will continue in 2008 on the promising gold mineralisation intercepted within the Upper Antino target to help determine the presence of a raking shoot. Work will be carried out through ICP analysis that will be conducted on samples that cut the shear zone structure.

CONSOLIDATED FINANCIAL INFORMATION

	March 31, 2008	March 31, 2007
Balance Sheet	**$**	**$**
Cash and short-term investments	4,652,726	4,300,030
Exploration projects	11,980,272	4,677,354
Total assets	18,348,446	12,991,210
Shareholders' equity	16,812,318	11,787,426

	Year ended March 31,		
	2008	**2007**	**2006**
	$	**$**	**$**
Operations			
Administration expenses	686,909	1,158,576	1,092,902
Stock-based compensation cost	56,848	653,581	73,924
Interest and other income	(129,693)	(216,440)	(74,827)
Impairment charge on ABCP	19,844	-	-
Loss on sale of marketable securities	443,640	-	-
Other	22,167	86,475	43,528
Discontinued operations	-	(479,435)	(18,441,521)
Net loss	(1,099,715)	(1,202,757)	(19,577,048)
Basic and diluted loss per share	(0.06)	(0.03)	(0.52)
Cash flows			
Operating activities	(797,895)	(1,078,515)	(1,198,332)
Investing activities	(4,594,225)	(805,019)	(2,463,322)
Financing activities	7,707,469	3,683,906	-

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and any other factor that the board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

Results of Operations

For the year ended March 31, 2008, the Company incurred a net loss of $1,099,715 ($0.06 per share) compared to a loss of $1,682,192 in 2007 ($0.04 per share) and a loss of $1,135,527 in 2006 ($0.03), from continued operations. The net loss in 2007 includes earnings from discontinued operations in Nevada of $479,435 and in 2006, a loss from discontinued operations in Nevada of $18,441,521.

The results for the year ended March 31, 2008 compared to the year ended March 31, 2007, includes reduced interest income and administration costs, stock-based compensation of $56,848 compared to $653,581 in 2007, a loss of $443,640 from the sale of shares held in X-Cal Resources Ltd and an impairment charge of $19,844 on asset-backed commercial paper held by the Company. Earnings from discontinued operations in 2007 consist mostly of the reversal of a portion of the write-down of the Sleeper Project recorded in 2006.

In 2006, compared to 2007, the Company had lower interest income, administration costs and stock-based compensation. Discontinued operations in 2006 included a write-down of exploration projects of $18,002,205, net of future income tax recovery, following the sale of the Company’s interest in the Sleeper Project to X-Cal Resources. Ltd.

Interest and other income totaled $129,693 for the year ended March 31, 2008 compared to $216,440 in 2007 due to the Company’s lower cash and cash equivalent average position in 2008 compared to 2007. In 2006, the Company generated interest and other income of $74,827.

Administrative expenses are summarized as follows:

	Year ended March 31,		
	2008	**2007**	**2006**
	$	**$**	**$**
Remuneration	374,100	507,400	442,500
Professional fees	-	93,000	122,500
Travel	64,000	185,400	146,600
Insurance	45,700	70,000	82,500
Rent, utilities and telecommunications	182,800	141,300	139,100
Other	20,300	161,500	159,700
	686,900	1,158,600	1,092,900

Stock-based compensation totalled $56,848 in 2008, compared to $653,581 in 2007 and $73,924 in 2006. The Company granted 275,000 stock options in 2008, 495,000 stock options in 2007 and 150,000 stock options in 2006.

In 2008, the Company sold 2,673,000 shares in X-Cal, which shares were acquired at the time that the Company had disposed of its 50% interest in the Sleeper Project, for total proceeds of $545,400. This sale resulted in a loss of $443,640, based on the carrying value of the X-Cal shares on March 31, 2007. At March 31, 2008, the Company still holds 7,327,000 shares in X-Cal.

An impairment charge on asset-backed commercial paper in the amount of $19,844 was charged to earnings in 2008 (see further discussion under Liquidities and Capital Resources section).

Loss on foreign exchange for the year amounted to $3,647, compared to $66,331 in 2007 and $8,244 in 2006, and resulted mostly from the timing differences between the date where investments in monetary items denominated in US dollars were made and the exchange rate as at the end of the year.

In May 2006, the Company completed the sale of its interest in the Sleeper Project, located in Nevada, USA, to X-Cal. Discontinued operations in 2007 consisted of interest income of $8,371, exploration expenses of $106,452, administration and other expenses of $22,484 and the reversal in the amount of $600,000 of the write-down of the Sleeper Project. During 2006, discontinued operations included interest income of $59,789, administration and other expenses of $499,105 and the write-down of the Sleeper Project in the amount of 18,002,205, net of the future income tax recovery of $3,300,955.

Quarterly Information

The table below presents revenues, net loss and net loss per share for the last eight quarters:

Period ended	Revenues	Net earnings (loss)	Net earnings (loss) per share
	$ 000	$ 000	$
March 31, 2008	57.5	(238.6)	(0.01)
December 31, 2007 (a)	16.3	(146.8)	(0.03)
September 30, 2007	14.8	(650.5)	(0.02)
June 30, 2007	41.1	(63.8)	-
March 31, 2007	52.4	(375.9)	(0.01)
December 31, 2006	67.4	(678.8)	(0.02)
September 30, 2006	61.9	(381.1)	(0.01)
June 30, 2006	34.7	233.0	0.01

(a) Loss per share includes the impact of the value of the incentive warrants granted to those holders of 2004 Warrants that exercised their warrants during the 45-day incentive program ending December 31, 2007 (see description of program in Business Overview – Early Exercise of 2004 Warrants section), which value of $1,273,146, calculated based on the Black-Scholes option pricing model, was presented as part of contributed surplus.

During the fourth quarter ended March 31, 2008, the Company incurred a net loss of $238,600 ($0.01 per share), compared to a net loss of $375,900 ($0.01 per share) during the corresponding period ended March 31, 2007 (net of earnings of $1,800 from discontinued operations). The reduced loss is attributable to lower administration and stock-based compensation costs.

Cash and cash equivalent decreased by $1,873,600 during the quarter ended March 31, 2008, compared to a decrease of $1,146,200 during the corresponding quarter in 2007. The variance is mostly attributable to higher exploration expenditures made in 2008 following the start of the exploration program on the Lely Project.

Liquidities and Capital Resources

The Company's working capital at March 31, 2008 totaled $3,679,200, compared to $3,387,000 at March 31, 2007. The working capital at March 31, 2008 includes cash of $4,652,700, compared to cash and short-term investments of $4,300,000 at March 31, 2007. The increase in working capital and cash and short-term investments, despite funds that were expended during the year on the Company's exploration projects, is attributable to cash proceeds received during the period from November 15, 2007 to December 31, 2007 from the incentive program put in place to encourage the early exercise of the 2004 Warrants (as more fully described in the section entitled Business Overview – Early Exercise of 2004 Warrants).

On December 31, 2007, the Company had $100,000 invested in secured short-term debt obligations, issued by limited purpose trusts and sponsored and managed by non-bank entities. These obligations are commonly known as asset-backed commercial paper ("ABCP"). In mid-August 2007, a number of sponsors of non-bank managed

ABCP announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets. As a result, the non-bank ABCP market is currently the subject of an agreement signed on August 16, 2007 among a number of affected parties (the "Montreal Proposal ABCP"). On September 6, 2007, a pan-Canadian committee (the "Committee") consisting of a panel of major Montreal Proposal ABCP investors was formed. The Committee subsequently retained Goodmans LLP and JP Morgan Chase as legal and financial advisors, respectively, to oversee the proposed restructuring process. On December 23, 2007, the Committee announced that an agreement in principle had been reached regarding a comprehensive restructuring of the ABCP issued by 20 of the 21 remaining trusts covered by the Montreal Proposal ABCP. At March 31, 2008, the Company estimated the fair value of the ABCP it holds and applied a total impairment charge of $19,800 in 2008. Additional information on the terms of the proposed December 23, 2007 restructuring and the Company's estimation of fair value are included in note 5 to the March 31, 2008 consolidated financial statements.

During the year, the Company issued a total of 6,182,500 common shares for gross proceeds of $7,728,125, including the issue of 6,112,500 Units from the incentive program to encourage the early exercise of the 2004 Warrants.

The Company has no cash flow generating operations and its long-term financial success is highly dependent on management's ability to discover economically viable deposits and its ability to obtain additional financing. However, there can be no assurance that the Company will be successful in securing such financing. Although the Company has been successful in the past in obtaining required financing, there can be no assurance that it will continue to obtain adequate financing on acceptable terms.

Off-Balance Sheet Arrangements

As of March 31, 2008, the Company has no off-balance sheet arrangements.

Related Party Transactions

Under management services agreements with Queensland Minerals Ltd., Maximus Ventures Ltd. and Palmarejo Silver and Gold Corporation (until the closing date of the merger agreement with Coeur d'Alene Mines Corporation), which companies, along with Reunion Gold, are under common management, an amount of $822,633 and $477,639 was charged back by Reunion Gold to these companies during the years ended March 31, 2008 and 2007, respectively.

At March 31, 2008, amounts receivable included $133,979 due from companies under common management and $200,000 owed by a company controlled by the Chairman of the Company. The amount of $200,000 was repaid on April 24, 2008.

In 2008, the Company paid an amount of $814,492 in drilling expenditures ($677,016 in 2007) to a company of which the Chairman of the Company is a director. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

Book value of Mining Properties

At the end of each year, management reviews the carrying value of its resource properties to determine whether any write-downs are necessary. Following this analysis, no write-offs were deemed necessary as at March 31, 2008.

Changes in Accounting Policies

On April 1, 2007, the Company adopted prospectively Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3861, *Financial Instruments - Disclosure and Presentation* and Section 3865*, Hedges,* issued by the Canadian Institute of Chartered Accountants. These new sections include comprehensive standards for the recognition, measurement, presentation and disclosure of financial instruments and require that the Company classify all of its financial assets and liabilities in categories which clearly defined rules determine the standards to be applied.

As a result of the adoption of these new standards, the Company has classified its shares held in X-Cal as available-for-sale and reflected as at April 1, 2007 a reduction of $600,000 of the fair value of the shares held in X-Cal and an opening adjustment of $600,000 to "Accumulated Other Comprehensive Income" in the shareholders' equity section of the consolidated balance sheet.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, deposits, ABCP, marketable securities and accounts payable and accrued liabilities. Other than ABCP, management does not believe that these financial instruments expose the Company to any significant interest, currency or credit risks. The fair market value of cash and cash equivalents, amounts receivable, deposits and accounts payable and accrued liabilities approximates their carrying value.

Outstanding Share Data

The Company can issue an unlimited number of common shares, without par value. As at June 20, 2008, a total of 46,969,316 common shares are issued and outstanding, 14,496,165 common share purchase warrants are outstanding at an exercise price of $1.25 to $1.50 per share and expiring at various dates from Dec 29, 2008 to Dec 31, 2009, and 3,845,000 stock options are outstanding at an exercise price varying between $0.20 and $2.15 and expiring by March 2012.

RISKS AND UNCERTAINTIES

<u>Exploration and mining risks</u>

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Unprofitable efforts may result from the failure to discover mineral deposits or if mineral deposits are found, such deposits may be insufficient in quantity and quality to return a profit from production. There are currently no known bodies of commercial ore on the Company's projects in Suriname and it is impossible to ensure that the exploration programs planned by the Company will result in a profitable commercial mining operation. Substantial expenses will be required to establish mineral resources through drilling, to develop metallurgical processes to construct mining and processing facilities and to extract the metal from the mineral resources.

<u>Financial risk</u>

The Company has no history of earnings. The Company's prospect is in the exploration stage only. The Company does not expect to receive revenues from operations in the foreseeable future, if at all. The Company expects to incur losses until such time as its prospect or any other properties the Company may acquire enter into commercial production and generate sufficient revenues to fund its continuing operations. Given the nature of capital market demand for speculative investment opportunities, there is no assurance that additional financing will be available in the appropriate amount when required.

<u>Foreign exchange risk</u>

Some of the Company's expenditures are in US dollars. Movement in the Canadian dollar against the US dollar therefore has a direct impact on the Company's cost base. The Company does not use derivative instruments to reduce its exposure to foreign exchange risks.

Risk on uncertainty of title

Although the Company has taken steps to verify title to the mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Environmental risk

The Company is subject to various environmental incidents that can occur during exploration work. The Company maintains an environmental management system including operational plans and practices.

Political Stability and Government Regulation risks

The activities of the Company are currently conducted in Suriname and, as such, are exposed to various levels of political, economic, and other risks and uncertainties. Changes, if any, in mining or investment policies or shifts in political attitude in Suriname may adversely affect the operations or future profitability of the Company.

Gold Price Volatility

The market price of the Company's common shares, its financial results and its exploration, development and mining activities may in the future be significantly and adversely affected by declines in the price of gold. Gold prices are volatile, can fluctuate widely and are affected by numerous factors beyond the control of the Company such as industrial and jewellery demand, forward sales by producers, the sale or purchase of gold by central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and other foreign currencies, and global or regional political and economic conditions.

The price of gold has fluctuated widely in the past and future price declines in the market value of gold could cause continued exploration, development of and commercial production from the Company's properties to be impracticable.

Competition and Agreements with Other Parties

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and can produce economically. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

Conflicts of Interest

Certain directors of the Company are also directors, officers or shareholders of other natural resource companies. Situations may arise where the directors of the Company may be in competition with the Company. Any conflicts of interest will be subject to and governed by the law applicable to directors' conflicts of interest. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

For a more complete discussion of these and other risk factors, please refer to the "Risk Factors" section of the Filing Statement dated March 2004, accessible on www.sedar.com.

FORWARD LOOKING STATEMENTS

Except for historical information, this MD&A may contain forward-looking statements. Forward-looking statements are not historical facts, and are subject to a number of known and unknown risks and uncertainties beyond the Company's control; uncertainties related to raising sufficient financing to fund the planned work in a timely manner and on acceptable terms; the possibility that required permits may not be obtained in a timely manner or at all; changes in planned work resulting from weather, logistical, technical or other factors; potential resources, exploration results, costs and supply of material relevant to the mining industry; and future plans and objectives of the Company. These risks and uncertainties may cause the actual results, levels of activity, performance or achievement of the Company to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward looking statements.

Additional Information and Continuous Disclosure

This MD & A has been prepared as at June 20, 2008. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com) and on the Company's web site (www.reuniongold.com).