Consolidated Financial Statements of

REUNION GOLD CORPORATION
(an exploration stage Company)

First quarter ended June 30, 2008

Financial Statements

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

	June 30, 2008 (unaudited)	March 31, 2008 (audited)
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	**2,748,488**	**4,652,726**
Amounts receivable (note 4)	**226,378**	**347,928**
Prepaid expenses and deposits	**161,163**	**214,653**
	3,136,029	**5,215,307**
Asset-backed commercial paper (note 5)	**80,013**	**80,013**
Marketable securities (note 6)	**586,160**	**1,025,780**
Capital assets (note 7)	**42,742**	**47,074**
Mineral property (note 8)	**1,000,000**	**-**
Deferred exploration expenses (note 8)	**13,072,649**	**11,980,272**
	17,917,593	**18,348,446**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**772,124**	**1,536,128**
SHAREHOLDERS' EQUITY		
Capital stock (note 9)	**45,041,749**	**44,041,749**
Contributed surplus	**3,359,916**	**3,317,468**
Deficit	**(29,131,366)**	**(28,861,689)**
Accumulated other comprehensive loss (note 12)	**(2,124,830)**	**(1,685,210)**
	17,145,469	**16,812,318**
	17,917,593	**18,348,446**

Commitment (note 11)

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 (unaudited)

	1st Quarter ended June 30, 2008	1st Quarter ended June 30, 2007
	$	$
Revenues		
Interest	**27,696**	32,809
Other	**-**	8,304
	27,696	41,113
Expenses		
Administration	**245,715**	139,085
Stock-based compensation cost	**42,448**	9,635
Depreciation and amortization	**2,916**	5,214
Loss on foreign exchange	**6,294**	(49,065)
	297,373	104,869
Net loss	**(269,677)**	(63,756)
Basic and diluted loss per share (note 9)	**(0.01)**	(0.00)
Basic and diluted weighted average number of shares outstanding	**47,277,008**	40,802,585

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 (unaudited)

	1st Quarter ended June 30, 2008	1st Quarter ended June 30, 2007
	$	$
COMPREHENSIVE LOSS		
Net loss	**(269,677)**	(63,756)
Other comprehensive loss (note 12)		
Changes in unrealized losses in marketable securities	**(439,620)**	(250,000)
Comprehensive loss	**(709,297)**	(313,756)
DEFICIT		
Balance, beginning of period	**(28,861,689)**	(27,741,318)
Net loss	**(269,677)**	(63,756)
Balance, end of period	**(29,131,366)**	(27,805,074)
Accumulated other comprehensive loss (note 12)	**(2,124,830)**	(600,000)
Total accumulated deficit and other comprehensive loss	**(31,256,196)**	(28,405,074)
CONTRIBUTED SURPLUS		
Balance, beginning of period	**3,317,468**	1,693,573
Stock-based compensation cost	**42,448**	9,635
Balance, end of period	**3,359,916**	1,703,208

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

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

	1st Quarter ended June 30, 2008	1st Quarter ended June 30, 2007
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(269,677)**	(63,756)
Non-cash items		
Stock-based compensation cost	**42,448**	9,635
Depreciation and amortization	**2,916**	5,214
Loss (gain) on foreign exchange	**6,294**	(49,065)
Changes in working capital items	**206,147**	(18,587)
	(11,872)	(116,559)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term investments	**-**	(20,847)
Capital assets	**1,416**	(5,939)
Deferred exploration expenses	**(1,893,782)**	(2,156,382)
	(1,892,366)	(2,183,168)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of warrants	**-**	87,500
Net decrease in cash and cash equivalents	**(1,904,238)**	(2,212,227)
Cash and cash equivalents, beginning of period	**4,652,726**	2,337,377
Cash and cash equivalents, end of period	**2,748,488**	125,150
Interest and income taxes paid:	**-**	-
Non-cash items:		
Change in value of marketable securities	**(439,620)**	(600,000)
Change in accounts payable related to exploration projects	**(829,376)**	313,674
Shares issued for mineral property (note 8)	**1,000,000**	-
Shares issued as settlement of accrued liabilities	**-**	45,500

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

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

	1st Quarter ended June 30, 2008	1st Quarter Ended June 30, 2007
	$	$
Balance, beginning of period	**11,980,272**	4,677,354
Geology	**254,687**	321,479
Geochemistry and geophysics	**357,626**	212,377
Drilling and assaying	**113,304**	1,038,350
Option payments and surface rights	**-**	159,765
Freight, transport and mobilization	**62,238**	193,923
Camp costs	**156,450**	316,572
Technical services and other	**148,072**	101,901
	1,092,377	2,344,367
Balance, end of period	**13,072,649**	7,021,721

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. Basis of presentation and change in accounting policies

The accompanying unaudited consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They are consistent with the policies and practices used in the preparation of the Company's audited annual consolidated financial statements, except for the adoption of new standards described in the following paragraphs. These interim unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended March 31, 2008 and 2007.

The preparation of consolidated financial statements in accordance with Canadian 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 judgment is applied are carrying value of mineral properties and deferred exploration expenses, asset retirement obligation and stock-based compensation.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditors have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

2. Basis of presentation and change in accounting policies (continued)

Effective April 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments - Disclosure*, and Section 3863, *Financial Instruments - Presentation*. These new Handbook Sections apply to fiscal years beginning on or after October 1, 2007.

Under Section 1535, companies are required to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. The objective of Section 3862 is to provide financial statement disclosure to enable users to evaluate the significance of financial instruments to the Company's financial position and performance and the nature and extent of risks arising from financial instruments that the Company is exposed to during the reporting period and the balance sheet date and how the Company is managing those risks. The purpose of Section 3863 is to enhance the financial statement user's understanding of the significance of financial instruments to the Company's financial position, performance and cash flows. The impact of the adoption of these accounting standards is described in note 10 to these consolidated financial statements.

3. Cash and cash equivalents

	June 30, 2008	March 31, 2008
	$	$
Cash and cash equivalents		
Cash	**1,748,241**	**2,652,162**
Short-term investments, with initial maturities of less than three months, bearing interest at a rate of 3.00% (3.43% at March 31, 2008)	**1,000,247**	**2,000,564**
	2,748,488	**4,652,726**

4. Amounts receivable

	June 30, 2008	March 31, 2008
	$	$
From companies under common management (a)	**205,123**	**133,979**
Other	**21,255**	**213,949**
	226,378	**347,928**

(a) An amount of $199,476 during the 1st quarter ended June 30, 2008 ($127,600 during the 1st quarter ended June 30, 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 were measured at their exchange and agreed amount.

5. Asset-Backed Commercial Paper

At June 30, 2008, the Company held $99,857 of non-bank sponsored ABCP (before accounting for an impairment charge).

In mid-August 2007, the Canadian third-party ABCP market was hit by a liquidity disruption. Since that time, no transactions within an active market have been entered into involving the ABCP securities held by the Company. On August 16, 2007, a group representing banks, asset providers and major investors agreed, pursuant to the Montreal Accord, to a standstill period in respect of ABCP sold by 23 conduit issuers. A Pan-Canadian Investors Committee (the “Committee”) was subsequently established to oversee the proposed restructuring process.

On March 20, 2008, the Committee released its proposed restructuring plan through an Information Statement in respect of a Plan of Compromise and Arrangement (the “Plan”), pursuant to the Companies Creditors Arrangement Act (“CCAA”). A meeting of the noteholders to vote on the Plan was held on April 25, 2008 and noteholders approved the Plan. Justice Campbell, presiding the restructuring under the CCAA, approved the Plan on June 5, 2008. Following various appeals to Justice Campbell’s decision, the appeals court of Ontario confirmed on August 18, 2008 that the Plan was fair and reasonable in all circumstances. Absent any further appeals, the Committee anticipates that the Plan will be in effect by the end of September 2008.

At June 30, 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 June 30, 2008. This estimation of fair value resulted in an impairment charge of $19,844, which had been recorded during the year ended March 31, 2008.

There are currently no market quotations available for the non-bank sponsored ABCP and there is no certainty regarding the outcome of the Plan. Therefore, there is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. Since the fair value of the ABCP held is determined based on the Company’s assessment of market conditions as at June 30, 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	June 30, 2008 Fair value	March31, 2008 Fair value
	$	$	$	$
7,327,000 shares of X-Cal Resources Ltd.	2,710,990	2,124,830	586,160	1,025,780

7. Capital assets

	Cost	Accumulated depreciation	June 30, 2008 Net	March 31, 2008
	$	$	$	$
Furniture	**50,450**	**(23,989)**	**26,461**	28,984
Computer equipment	**51,019**	**(34,738)**	**16,281**	18,090
	101,469	**(58,727)**	**42,742**	47,074

8. Exploration projects

The breakdown of accumulated costs by project is as follows:

	June 30, 2008	March 31, 2008
	$	$
Mineral Property		
Lely	**1,000,000**	-
Deferred exploration expenses		
Lely	**2,250,004**	1,152,254
Antino 1	**10,822,645**	10,828,018
Three Hills	**-**	-
	13,072,649	11,980,272
	14,072,649	11,980,272

8. Exploration projects (continued)

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").

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), 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 has 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 June 30, 2008, a cumulative amount of $2,147,354 (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 terms of the transaction between the Company and LMR and following TSX Venture Exchange approval, LMR received on June 18, 2008, the closing date of the transaction, 2 million common shares of the Company (valued at $1 million) and is entitled to 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 shares issued to LMR were presented as Mineral Property.

8. Exploration projects (continued)

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").

During the exploration phase, the Company is required to pay Nana an annual amount of US $200,000, 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.

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. Capital stock

Issued and fully paid – Common shares

	1st Quarter ended June 30, 2008	
	Number of shares	**Amount**
		$
Balance, beginning of period	**46,969,316**	**44,041,749**
Issued		
For mineral property (note 8)	**2,000,000**	**1,000000**
Balance, end of period	**48,969,316**	**45,041,749**

Warrants

	1st Quarter ended June 30, 2008
Number of warrants	
Balance, beginning of period	**14,496,165**
Issued	**-**
Exercised	**-**
Balance, end of period	**14,496,165**

At June 30, 2008, the outstanding number of warrants exercisable into common shares was as follows:

	Number of warrants March 31, 2008	Issued / (Exercised)	**Number of warrants June 30, 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	8,801,000	-	**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
	14,496,165	-	**14,496,165**		

9. Capital stock (continued)

Stock option plan

The following table sets out the activity in stock options:

	1st Quarter ended June 30, 2008
Number of options, beginning of period	**3,845,000**
Granted	**-**
Exercised	**-**
Cancelled	**-**
Number of options, end of period	**3,845,000**

At June 30, 2008, outstanding options have the following features:

Grant date	Exercise price	Balance, March 31, 2008	Granted	Exercised	Cancelled	**Balance, June 30, 2008**	Number of options exercisable	Residual Exercise Period
	$							
Jan 7, 2004	1.00	2,900,000	**-**	**-**	**-**	**2,900,000**	2,900,000	0.50 years
June 21, 2004	0.88	25,000	**-**	**-**	**-**	**25,000**	25,000	1.00 years
Nov 16, 2005	0.20	150,000	**-**	**-**	**-**	**150,000**	150,000	2.50 years
Aug 24, 2006	1.96	50,000	-	**-**	**-**	**50,000**	50,000	3.25 years
Oct 2, 2006	1.57	385,000	-	**-**	**-**	**385,000**	385,000	3.25 years
Oct 20, 2006	1.50	50,000	-	**-**	**-**	**50,000**	50,000	3.25 years
Mar 26, 2007	2.15	10,000	-	**-**	**-**	**10,000**	10,000	3.75 years
Feb 26, 2008	1.04	275,000	-	**-**	**-**	**275,000**	60,416	4.75 years
		3,845,000	-	-	-	**3,845,000**	3,630,416	

Diluted earnings per share

Excluded from the calculation of the diluted earnings per share are 14,496,165 warrants and 3,845,000 stock option for the 1st quarter ended June 30, 2008 (17,552,415 warrants and 3,075,000 stock options for the 1st quarter ended June 30, 2007), because to include them would be anti-dilutive.

10. Risk management, financial instruments and capital management

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.

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 June 30, 2008, the Company had the following balance sheet items denominated in United States dollars: cash of $141,213 ($160,576 at March 31, 2008), deposits of $111,300 ($118,800 at March 31, 2008) and accounts payable and accrued liabilities of $604,588 ($832,731 at March 31, 2008).

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 capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders. As long as the Company is in the exploration and development stages of its mining properties, it is not the intention of the Company to contract debt obligations to finance its work programs.

11. Commitment

The Company has entered into a long-term lease agreement expiring in June 2012 which calls for lease payments of $275,683 for the rental of office space. Minimum lease payments are $51,690 in 2009, $68,921 in each of the years 2010 to 2012 and $17,230 in 2013.

12. Accumulated other comprehensive loss

	1st Quarter ended June 30, 2008	1st Quarter ended June 30, 2007
	$	$
Balance, beginning of period	**(1,685,210)**	-
Impact of changes in accounting policies at beginning of period – unrealized loss on marketable securities	**-**	(350,000)
Other comprehensive loss related to marketable securities	**(439,620)**	(250,000)
Balance, end of period	**(2,124,830)**	(600,000)

13. Segmented Information

The Company has one reportable operating segment being the acquisition and exploration of mineral properties. As at June 30, 2008, deferred exploration expenses had been incurred in Suriname, South America and capital assets had been incurred in Canada.

14. Comparative figures

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

REUNION GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE FIRST QUARTER ENDED JUNE 30, 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 August 26, 2008, covers the first quarter ended June 30, 2008 and should be read in conjunction with the unaudited consolidated interim financial statements and related notes for the three-month period ended June 30, 2008 (the "June 30, 2008 consolidated financial statements"). Readers should also refer to the Company's MD&A for the year ended March 31, 2008, including the section describing risks and uncertainties, and the consolidated financial statements for the years ended March 31, 2008 and 2007.

The June 30, 2008 consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") following the same accounting policies and methods of computations as the consolidated financial statements for the years ended March 31, 2008 and 2007, except for the adoption of new standards on financial instruments as more fully described under the heading "Changes in Accounting Policies".

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 also continues to actively seek out other opportunities outside of the current area of operations. 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 the Lely Mountain and adjacent land in Eastern Suriname, South America (the "Lely Project"). Under the terms of the 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").

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), 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. 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 terms of the Assignment Agreement between the Company and LMR and following TSX Venture Exchange approval, LMR received on June 18, 2008, the closing date of the transaction, 2 million common shares of the Company and is entitled to receive 2 additional common shares for each 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.

Antino 1, Suriname

In January 2006, the Company signed an agreement with Laurentian Mountain 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"). During the exploration phase, the Company is required to pay to Nana an annual amount of US $200,000, 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.

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.

Exploration Activities

During the first quarter ended June 30, 2008, the Company incurred total exploration expenditures of $1,092,377 on its exploration projects in Suriname, including $357,626 related to geochemistry and geophysics activities and $113,304 on assaying costs. During the corresponding period in 2007, the Company had incurred exploration expenditures of $2,344,367 on the Antino 1 project. Over the coming months, the Company's exploration efforts will focus mainly on the most interesting targets at Lely.

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. Lely hosts several large areas of artisanal workings that appear to be surface expressions of more deep rooted gold bearing structures. Exploration at Lely has only just begun, but our initial assessment gives reason for cautious optimism.

The focus of the exploration activities has moved from the west to the northern end of the Lely concession where extensive artisanal alluvial/colluvial mining activity is occurring. Access to this area has been difficult due to the steep terrain and extremely wet conditions. Heavy equipment has recently completed an ATV access track to this area allowing geological mapping and sampling to take place. Initial results have been encouraging with some interesting gold values collected from in-situ saprolite. Geological mapping has also revealed low grade mineralization associated with sheared granodioritic intrusions, elevated above the artisanal mining. Further mapping and sampling of these intrusions is now being carried out to determine the extent of the mineralization.

Data from the airborne magnetic and radiometric survey, carried out in April 2008 on a 250-meter line spacing, has been received for final processing and interpretation. An eight week delay in the delivery of the data has in-turn caused delays to the exploration campaign. Preliminary interpretation of the geophysical data suggests extensive regional folding / faulting, with good correlation between mapped intrusions and radiometric anomalies.

Due to the size of the Lely Project, a Bulk Leach Extractable Gold (BLEG) sampling program will soon start to determine the prospectivity of a 230 km^2 area to the east of Lely Plateau. Once completed, BLEG sampling will then move to the south east corner of the Lely east concession to evaluate anomalous gold stream sediment samples collected along the Tapanahony River in the early 1980's. The Company anticipates completing the BLEG sampling within the next four months.

Antino

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 mineralization intercepted within the Upper Antino target to help determine the presence of a raking shoot. ICP analysis will be conducted on samples that cut the shear zone structure. Interesting assays returned from the south-western corner of the eastern grid prompted the start of an in-fill program in early 2008. A follow-up mapping and sampling effort will occur once the area dries out enough to allow safe access. There remains a number of targets at Antino that will be evaluated, once resources become available.

CONSOLIDATED FINANCIAL INFORMATION

	June 30, 2008	March 31, 2008
Balance Sheet	**$**	**$**
Cash and short-term investments	2,748,488	4,652,726
Mineral property and deferred exploration expenses	14,072,649	11,980,272
Total assets	17,917,593	18,348,446
Shareholders' equity	17,145,469	16,812,318

Operations	**1st quarter ended June 30,**	
	2008	**2007**
	$	**$**
Administration	248,631	144,299
Stock-based compensation	42,448	9,635
Interest and others	(27,696)	(41,113)
Loss (gain) on foreign exchange	6,294	(49,065)
Net loss	(269,677)	(63,756)
Basic and diluted loss per share	(0.01)	(0.00)
Cash flows		
Operating activities	(11,872)	(116,559)
Investing activities	(1,892,366)	(2,183,168)
Financing activities	-	87,500

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 three-month period ended June 30, 2008, the Company incurred a loss of $269,677 ($0.01 per share) compared to a loss of $63,756 (nil per share) in 2007. The results for the three-month period ended June 30, 2008 includes increased administration and stock-based compensation cost and a loss on foreign exchange of $6,294 compared to a gain of $49,069 in 2007.

Interest and other income totaled $27,696 for the three-month period ended June 30, 2008 compared to $41,113 in 2007 due to reduced interest rates earned on short-term investments in 2008 compared to 2007.

Administrative expenses are summarized as follows:

	1st quarter ended June 30,	
	2008	**2007**
	$	**$**
Remuneration	109,500	61,000
Professional fees	22,400	-
Travel	26,400	18,100
Insurance	11,100	11,000
Stock exchange and transfer agent	8,300	4,800
Investor relations	11,600	14,800
Capital tax	8,400	-
Other	47,900	29,400
Depreciation and amortization	3,000	5,200
	248,600	144,300

Stock-based compensation of $42,448 during the 1st quarter ended June 30, 2008 compared to $9,635 in 2007 reflects the grant of 275,000 stock options in February 2008 compared to the grant of 10,000 stock options in March 2007.

Loss on foreign exchange for the period amounted to $6,294 compared to a gain of $49,065 during the corresponding period in 2007 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 period.

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	$
June 30, 2008	27.7	(269.7)	(0.01)
March 31, 2008	57.5	(238.6)	(0.01)
December 31, 2007	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)

Liquidities and Capital Resources

The Company's working capital at June 30, 2008 totaled $2,363,905 compared to $3,679,179 at March 31, 2008. The working capital at June 30, 2008 includes cash and cash equivalents of $2,748,488 compared to $4,652,726 at March 31, 2008. The decrease in working capital and cash and cash equivalents is attributable to expenditures incurred on the exploration program at Lely in Suriname.

The Company has $100,000 invested in asset-backed commercial paper ("ABCP"). In mid-August 2007, the Canadian third-party ABCP market was hit by a liquidity disruption. Since that time, no transactions within an active market have been entered into involving the ABCP securities held by the Company. On August 16, 2007, a group representing banks, asset providers and major investors agreed, pursuant to the Montreal Accord, to a standstill period in respect of ABCP sold by 23 conduit issuers. A Pan-Canadian Investors Committee (the "Committee") was subsequently established to oversee the proposed restructuring process.

On March 20, 2008, the Committee released its proposed restructuring plan through an Information Statement in respect of a Plan of Compromise and Arrangement (the "Plan"), pursuant to the Companies Creditors Arrangement Act ("CCAA"). A meeting of the noteholders to vote on the Plan was held on April 25, 2008 and noteholders approved the Plan. Justice Campbell, presiding the restructuring under the CCAA, approved the Plan on June 5, 2008. Following various appeals to Justice Campbell's decision, the appeals court of Ontario confirmed on August 18, 2008 that the Plan was fair and reasonable in all circumstances. Absent any further appeals, the Committee anticipates that the Plan will be in effect by the end of September 2008.

At June 30, 2008, the Company estimated the fair value of the ABCP it holds and applied a total impairment charge of $14,900 which had been recorded during the year ended March 31, 2008. Additional information on the terms of the Plan and the Company's estimation of fair value are included in note 5 to the June 30, 2008 consolidated financial statements.

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 in obtaining 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 June 30, 2008, the Company has no off-balance sheet arrangements.

Related Party Transactions

Under management services agreements with Queensland Minerals Ltd. and Maximus Ventures Ltd., which companies along with Reunion Gold are under common management, an amount of $199,476 was charged back by Reunion Gold to these companies during the first quarter ended June 30, 2008 ($127,600 during the corresponding period in 2007).

Book value of Mining Properties

At the end of each quarter, 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 June 30, 2008.

Changes in Accounting Policies

Effective April 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1535, Capital Disclosures, Section 3862, Financial Instruments - Disclosure, and Section 3863, Financial Instruments - Presentation. These new Handbook Sections apply to fiscal years beginning on or after October 1, 2007.

Under Section 1535, companies are required to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. The objective of Section 3862 is to provide financial statement disclosure to enable users to evaluate the significance of financial instruments to the Company's financial position and performance and the nature and extent of risks arising from financial instruments that the Company is exposed to during the reporting period and the balance sheet date and how the Company is managing those risks. The purpose of Section 3863 is to enhance the financial statement user's understanding of the significance of financial instruments to the Company's financial position, performance and cash flows. The impact of the adoption of these accounting standards is described in note 10 to these consolidated financial statements.

Financial Instruments

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 short-term investments and 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 August 26, 2008, a total of 48,969,316 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 with an exercise price varying between $0.20 and $2.15 and expiring by March 2013.

RISKS AND UNCERTAINTIES

Exploration and mining risks

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.

Financial risk

The Company has no history of earnings. The Company's prospects are 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.

Foreign exchange risk

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.

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 statements 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 August 26, 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).