

Media Release

Claude Resources Inc.
200, 224 – 4th Avenue South
Saskatoon, Saskatchewan S7K 5M5

Trading Symbols
TSX – CRJ
AMEX – CGR

Release: Immediate

Date: March 13, 2009

Claude Resources Reports Fourth Quarter Earnings

Saskatoon, Saskatchewan, Canada: Claude Resources Inc. (“Claude” or the “Company”) today announced fourth quarter net earnings of \$2.4 million (\$0.03 per share) after a gain resulting from the sale of a portion of its oil and natural gas operations. The full year 2008 net income of \$0.4 million (\$0.00 per share) was accompanied by positive cash flow from mining operations before net changes in non-cash working capital of \$8.8 million (\$0.09 per share).

Financial Highlights (unaudited):

| | Three Months Ended December 31 | | Years Ended December 31 | |
|--|-----------------------------------|-----------|----------------------------|-----------|
| | 2008 | 2007 | 2008 | 2007 |
| Gold revenue (\$ millions) | 12.1 | 11.0 | 41.0 | 29.9 |
| Cash flow from mining operations (\$ millions) | 3.7 | 2.3 | 8.8 | 4.6 |
| Net earnings (loss) (\$ millions) | 2.4 | (1.8) | 0.4 | (7.0) |
| Earnings (loss) per share (\$) | 0.03 | (0.02) | 0.00 | (0.08) |
| Average realized gold price (CDN \$ per oz. / US \$ per oz.) | 990 / 816 | 776 / 790 | 930 / 871 | 744 / 692 |
| Total cash operating costs (CDN \$ per oz. / US \$ per oz.) | 683 / 564 | 610 / 621 | 729 / 683 | 629 / 586 |
| Working capital (\$ millions) | 19.2 | 11.9 | 19.2 | 11.9 |

Operations:

During the quarter ended December 31, 2008, Claude milled 61,533 tonnes of ore at a grade of 7.09 grams per tonne resulting in 13,551 ounces of gold produced. This compares to 65,518 tonnes milled at a grade of 6.08 grams per tonne for 12,166 ounces of gold produced during the same period in 2007. For 2008, Claude milled 228,427 tonnes of ore at a grade of 6.46 grams per tonne for total production of 45,466 ounces of gold. This compares to 227,661 tonnes milled at a grade of 6.35 grams per tonne for total production of 44,323 during 2007.

Increased sales volume and improving gold prices resulted in significant improvements in both revenue and gross operating margin.

At December 31, 2008, proven and probable reserves at the Seabee Operation were 998,400 tonnes at 6.82 grams per tonne or 219,000 ounces of gold, relatively unchanged from last year.

During the fourth quarter, the Company completed the sale of certain of its oil and natural gas assets for gross proceeds of \$11.2 million.

Exploration:

During 2008, Claude continued its extensive surface drill program at Madsen, the Company’s premier advanced exploration project located at Red Lake, Ontario. A total of 47,210 meters were drilled in 2008. The Company expects to release a National Instrument 43-101 resource estimate during 2009.

Dewatering of the shaft at Madsen also continued throughout the year and, in December 2008, the Company commenced its underground drill program from the 10th level.

Outlook:

“Despite a difficult operating and economic environment, the Company has remained focused on the growth of its core assets,” said Claude President and Chief Executive Officer Neil McMillan. “With its strong working capital position, steady production increases and commitment to reducing costs, the Company is well positioned to focus on its premier advanced exploration program at Madsen and to further develop its Seabee Operation.”

For 2009, the Company will focus on the following:

- Advance the 22,000 meter underground and 10,500 meter surface exploration drill programs at the Company’s 100 percent owned Madsen exploration property with a continuation of the shaft dewatering program;
- Complete a National Instrument 43-101 resource estimate at Madsen;
- At the Seabee Operation, continue Seabee Mine / Deep exploration and development to increase or sustain reserves and resources;
- Further develop satellite deposits at the Seabee Operation by continuing with an underground bulk sampling program at Porky West and, pending environment approval and permits, moving Santoy 8 towards commercial production; and
- Invest in capital projects and equipment to increase both production and productivity at the Seabee Operation.

Claude Resources Inc. is a public company based in Saskatoon, Saskatchewan, whose shares trade on the Toronto Stock Exchange (TSX-CRJ) and the American Stock Exchange (AMEX-CGR). Claude is a gold exploration and mining company with an asset base located entirely in Canada. Since 1991, Claude has produced approximately 840,000 ounces of gold from its Seabee mining operation in northeastern Saskatchewan. The Company also owns 100% of the 10,000 acre Madsen property in the prolific Red Lake gold camp of northwestern Ontario.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This news release contains certain forward-looking statements relating but not limited to the Company’s expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as “anticipate”, “believe”, “expect”, “goal”, “plan”, “intent”, “estimate”, “may” and “will” or similar words suggesting future outcomes or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of mined ore varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Claude Resources undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

A copy of Claude’s Q4 2008 interim financial statements and notes (unaudited) can be viewed www.clauderresources.com. Further information relating to Claude Resources Inc. has been filed on SEDAR and may be viewed at www.sedar.com.

For further information please contact:

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NOTICE OF AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Management of Claude Resources Inc. is responsible for the preparation of the accompanying unaudited interim consolidated financial statements. The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are considered by Management to present fairly the financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountants. These unaudited financial statements include all adjustments, consisting of normal and recurring items that Management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.



Neil McMillan
Chief Executive Officer



Rick Johnson, CA
Chief Financial Officer

Date: March 13, 2009

Consolidated Balance Sheets

(Canadian Dollars in Thousands - Unaudited)

| | December 31 2008 | December 31 2007 |
|--|-----------------------------|-----------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 8,390 | \$ 2,628 |
| Accounts receivable | 275 | 2,350 |
| Interest receivable on restricted promissory notes | 4,830 | 3,294 |
| Inventories and stockpiled ore | 10,028 | 7,504 |
| Shrinkage stope platform costs (Note 3) | 12,091 | 10,872 |
| Prepays | 193 | 381 |
| Assets held for sale (Note 4) | 912 | 1,267 |
| | 36,719 | 28,296 |
| Mineral properties | 89,038 | 76,904 |
| Assets held for sale (Note 4) | 4,857 | 9,211 |
| Investments (Note 5) | 607 | 1,140 |
| Restricted promissory notes | 81,938 | 81,606 |
| Deposits for reclamation costs | 2,277 | 2,277 |
| | \$ 215,436 | \$ 199,434 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 5,794 | \$ 4,146 |
| Interest payable on royalty obligations | 4,709 | 3,205 |
| Demand loans (Note 6) | 3,969 | 6,015 |
| Liabilities related to assets held for sale (Note 4) | 732 | 1,185 |
| Other current liabilities | 2,307 | 1,887 |
| | 17,511 | 16,438 |
| Obligations under capital lease | 1,614 | 1,612 |
| Debenture (Note 7) | 16,575 | - |
| Royalty obligations | 83,130 | 82,779 |
| Deferred revenue | 6,434 | 7,291 |
| Liabilities related to assets held for sale (Note 4) | 342 | 641 |
| Asset retirement obligations | 2,758 | 2,566 |
| | 128,364 | 111,327 |
| Shareholders' equity: | | |
| Share capital (Note 8) | 83,960 | 85,591 |
| Contributed surplus | 1,748 | 1,308 |
| Retained earnings | 1,896 | 1,513 |
| Accumulated other comprehensive deficit | (532) | (305) |
| | 87,072 | 88,107 |
| | \$ 215,436 | \$ 199,434 |

The accompanying notes form an integral part of these unaudited consolidated financial statements

Consolidated Statements of Earnings (Loss)

(Canadian Dollars in Thousands, except per share amounts - Unaudited)

| | Three Months Ended December 31 | | Years Ended December 31 | |
|---|-----------------------------------|------------|----------------------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| Revenue | \$ 12,104 | \$ 11,015 | \$ 40,999 | \$ 29,922 |
| Operating expenses | 8,359 | 8,661 | 32,166 | 25,311 |
| Depreciation, depletion and accretion | 4,001 | 2,336 | 12,524 | 8,308 |
| | 12,360 | 10,997 | 44,690 | 33,619 |
| Earnings (loss) from continuing operations | (256) | 18 | (3,691) | (3,697) |
| Other income (expense): | | | | |
| General and administrative | (1,304) | (934) | (4,208) | (3,575) |
| Interest and other | (1,398) | (75) | (1,325) | 113 |
| Gain (loss) on sale of investments | - | (12) | 166 | (12) |
| Write-down of mineral properties | (862) | (583) | (862) | (583) |
| Stock compensation expense | (87) | (128) | (449) | (592) |
| | (3,651) | (1,732) | (6,678) | (4,649) |
| Loss from continuing operations before income taxes | (3,907) | (1,714) | (10,369) | (8,346) |
| Income taxes (Note 9) | - | - | 2,240 | 1,705 |
| Loss from continuing operations | (3,907) | (1,714) | (8,129) | (6,641) |
| Earnings (loss) from operations held for sale (Note 4) | 6,348 | (64) | 8,512 | (326) |
| Net earnings (loss) | \$ 2,441 | \$ (1,778) | \$ 383 | \$ (6,967) |
| Net earnings (loss) per share | | | | |
| Basic and diluted | | | | |
| From continuing operations | \$ (0.04) | \$ (0.02) | \$ (0.08) | \$ (0.08) |
| Net earnings (loss) | \$ 0.03 | \$ (0.02) | \$ 0.00 | \$ (0.08) |
| Weighted average number of shares outstanding (000's) | | | | |
| Basic | 97,112 | 94,818 | 97,100 | 88,296 |
| Diluted | 97,112 | 94,818 | 97,301 | 88,296 |

The accompanying notes form an integral part of these unaudited consolidated financial statements

Consolidated Statements of Shareholders' Equity

(Canadian Dollars in Thousands - Unaudited)

| | Three Months Ended December 31 | | Years Ended December 31 | |
|---|-----------------------------------|------------------|----------------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Share capital | | | | |
| Balance, beginning of period | \$ 84,034 | \$ 79,077 | \$ 85,591 | \$ 56,036 |
| Common shares issued | (74) | 6,514 | (100) | 27,958 |
| Warrants exercised | - | - | - | 2,799 |
| Flow-through renunciation | - | - | (2,240) | (1,705) |
| Fair value of warrants issued | - | - | 550 | - |
| Options exercised | - | - | - | 409 |
| Other | - | - | 159 | 94 |
| Balance, end of period | \$ 83,960 | \$ 85,591 | \$ 83,960 | \$ 85,591 |
| Contributed surplus | | | | |
| Balance, beginning of period | \$ 1,661 | \$ 1,180 | \$ 1,308 | \$ 1,062 |
| Stock compensation expense | 87 | 128 | 449 | 592 |
| Options exercised | - | - | - | (278) |
| Other | - | - | (9) | (68) |
| Balance, end of period | \$ 1,748 | \$ 1,308 | \$ 1,748 | \$ 1,308 |
| Retained earnings | | | | |
| Balance, beginning of period | \$ (545) | \$ 3,291 | \$ 1,513 | \$ 8,480 |
| Net earnings (loss) | 2,441 | (1,778) | 383 | (6,967) |
| Balance, end of period | \$ 1,896 | \$ 1,513 | \$ 1,896 | \$ 1,513 |
| Accumulated other comprehensive income (loss) | | | | |
| Balance, beginning of period | \$ (279) | \$ (254) | \$ (305) | \$ - |
| Transition adjustment | - | - | - | 463 |
| Net change in loss on available-for-sale securities (Note 5) | (253) | (51) | (227) | (768) |
| Balance, end of period | \$ (532) | \$ (305) | \$ (532) | \$ (305) |
| Total retained earnings and accumulated other comprehensive income (loss) | \$ 1,364 | \$ 1,208 | \$ 1,364 | \$ 1,208 |
| Shareholders' equity, end of period | \$ 87,072 | \$ 88,107 | \$ 87,072 | \$ 88,107 |

Consolidated Statements of Comprehensive Income (Loss)

(Canadian Dollars in Thousands - Unaudited)

| | Three Months Ended December 31 | | Years Ended December 31 | |
|--|-----------------------------------|-------------------|----------------------------|-------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net earnings (loss) | \$ 2,441 | \$ (1,778) | \$ 383 | \$ (6,967) |
| Other comprehensive income (loss) | | | | |
| Unrealized loss on available-for-securities (Note 5) | (253) | (51) | (227) | (768) |
| Total comprehensive income (loss) | \$ 2,188 | \$ (1,829) | \$ 156 | \$ (7,735) |

The accompanying notes form an integral part of these unaudited consolidated financial statements

Consolidated Statements of Cash Flows

(Canadian Dollars in Thousands - Unaudited)

| | Three Months Ended December 31 | | Years Ended December 31 | |
|--|-----------------------------------|------------|----------------------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| Operations: | | | | |
| Net loss from continuing operations | \$ (3,907) | \$ (1,714) | \$ (8,129) | \$ (6,641) |
| Non-cash items: | | | | |
| Depreciation, depletion and accretion | 4,001 | 2,336 | 12,524 | 8,308 |
| Loss (gain) on sale of investments | - | 12 | (166) | 12 |
| Stock compensation expense | 87 | 128 | 449 | 592 |
| Write-down of mineral properties | 862 | 583 | 862 | 583 |
| Income taxes | - | - | (2,240) | (1,705) |
| Net changes in non-cash working capital: | | | | |
| Receivables | 732 | (998) | 539 | (4,873) |
| Inventories and stockpiled ore | 1,791 | 2,972 | (2,524) | (1,216) |
| Shrinkage stope platform costs | 394 | (1,200) | (1,219) | (885) |
| Prepays | 92 | (195) | 188 | (266) |
| Payables and accrued liabilities | 1,227 | (934) | 3,152 | 1,463 |
| Cash provided by (used in) continuing operations | 5,279 | 990 | 3,436 | (4,628) |
| Cash provided by operations held for sale (Note 4) | 928 | 242 | 2,336 | 901 |
| | 6,207 | 1,232 | 5,772 | (3,727) |
| Investing: | | | | |
| Mineral properties | (5,066) | (8,204) | (25,328) | (32,133) |
| Assets held for sale | (322) | (310) | (1,097) | (846) |
| Proceeds on disposition of assets held for sale (Note 4) | 11,230 | - | 11,230 | - |
| Restricted promissory notes | - | (25,624) | (332) | (25,624) |
| Investments | (73) | (30) | 473 | (30) |
| Deposits for reclamation costs | - | - | - | (97) |
| Cash provided (used) in investing activities | 5,769 | (34,168) | (15,054) | (58,730) |
| Financing: | | | | |
| Issue of common shares, net of issue costs | (74) | 6,514 | 50 | 30,914 |
| Debenture proceeds, net of issue costs | 51 | - | 17,125 | - |
| Royalty obligations | - | 26,283 | 351 | 26,283 |
| Deferred revenue | (207) | 3,300 | (969) | 2,804 |
| Bank indebtedness | (2,448) | (1,309) | - | - |
| Demand loans: | | | | |
| Repayment | (517) | (501) | (2,046) | (1,985) |
| Obligations under capital lease: | | | | |
| Proceeds | - | 1,645 | 2,071 | 2,514 |
| Repayment | (391) | (368) | (1,538) | (776) |
| Cash provided by (used in) financing activities | (3,586) | 35,564 | 15,044 | 59,754 |
| Increase (decrease) in cash and cash equivalents | 8,390 | 2,628 | 5,762 | (2,703) |
| Cash and cash equivalents, beginning of period | - | - | 2,628 | 5,331 |
| Cash and cash equivalents, end of period | \$ 8,390 | \$ 2,628 | \$ 8,390 | \$ 2,628 |

The accompanying notes form an integral part of these unaudited consolidated financial statements

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2008

(Canadian Dollars in Thousands, except as otherwise noted)

(Unaudited)

Note 1 - Basis of Presentation

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (Canadian GAAP) for interim financial statements. The preparation of financial data within these statements is based on, with the exception of capital disclosures, financial instruments and inventories, accounting policies and practices consistent with those used in the preparation of the most recent audited annual consolidated financial statements. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2007, as they do not contain all disclosures required by Canadian GAAP for annual financial statements.

In the opinion of Management, all adjustments (including reclassifications and normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at December 31, 2008, and for comparative periods presented, have been made.

Note 2 - Significant Accounting Policies

Effective January 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

- (a) Section 1535, "Capital Disclosures"
- (b) Section 3862, "Financial Instruments - Disclosures" and Section 3863, "Financial Instruments - Presentation"
- (c) Section 3031, "Inventories"

These new standards have been adopted on a prospective basis with no restatement to prior period comparative balances.

(a) *Section 1535, "Capital Disclosures"*

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

Our objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets, incur debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

(b) *Section 3862, "Financial Instruments - Disclosures", Section 3863, "Financial Instruments - Presentation"*

Section 3862 on financial instrument disclosures, provides guidance on disclosures in the financial statements to enable users of the financial statements to evaluate the significance of financial instruments to the Company's financial position and performance and about risks associated with both recognized and unrecognized financial instruments and how these risks are managed. The new Section removes duplicate disclosures and simplifies the disclosures relating to concentrations of risk, credit risk, liquidity risk and price risk currently found in Section 3861.

The Company is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The Board of Directors has responsibility to ensure that an adequate financial risk management policy is established and to approve the policy.

The Company's Audit Committee oversees Management's compliance with the Company's financial risk management policy, approves financial risk management programs, and receives and reviews reports on management compliance with the policy.

The types of risk exposures and the way in which such exposures are managed are as follows:

Credit Risk - The Company's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents and reclamation deposits with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper.

Liquidity Risk - The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes operating cash flows may not be sufficient to fund the continued exploration at Madsen and ongoing capital improvements at the Seabee properties. The Company intends to continue divesting its non core assets, the proceeds of which may decrease the need for additional capital to be raised through equity issues. The Company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs.

Market Risk - The significant market risk exposures to which the Company is exposed are foreign exchange risk, interest rate risk and commodity price risk. These are discussed further below:

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2008

(Canadian Dollars in Thousands, except as otherwise noted)

(Unaudited)

Foreign exchange risk - The Company's revenues from the production and sale of gold are denominated in US dollars. However, the Company's operating expenses are primarily incurred in Canadian dollars and its liabilities are primarily denominated in Canadian dollars. The results of the Company's operations are subject to currency risks. The operating results and financial position of the Company are reported in Canadian dollars in the Company's consolidated financial statements. The fluctuation of the US dollar in relation to the Canadian dollar will consequently have an impact on the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity.

Interest rate risk - In respect to the Company's financial assets, the interest rate risk mainly arises from the interest rate impact on our cash and cash equivalents and reclamation deposits. In respect to financial liabilities, one of the Company's demand loans carries a floating interest rate.

Commodity price risk - The value of the Company's mineral resources is related to the price of gold and the outlook for this mineral. Gold prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold. The profitability of the Company's operations is highly correlated to the market price of gold. If the gold price declines for a prolonged period of time below the cost of production at the Company's mines, it may not be economically feasible to continue production.

The purpose of Section 3863 on financial instruments - presentation is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This Section establishes standards for presentation of financial instruments and non-financial derivatives.

The Company has various financial instruments comprised of cash and cash equivalents, receivables, restricted promissory notes, reclamation deposits, accounts payable and accrued liabilities and short term debts.

The carrying amounts and fair values of financial assets and liabilities are as follows:

| | December 31 2008 | | December 31 2007 | |
|---|---------------------|-------------------------|---------------------|-------------------------|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Loans and receivables | | | | |
| Accounts receivable ⁽¹⁾ | 275 | 275 | 2,350 | 2,350 |
| Interest receivable on restricted promissory note ⁽¹⁾ | 4,830 | 4,830 | 3,294 | 3,294 |
| Restricted promissory note | 81,938 | 81,938 | 81,606 | 81,606 |
| Available-for-sale financial assets | | | | |
| Investments | 607 | 607 | 1,140 | 1,140 |
| Held-for-trading | | | | |
| Cash and cash equivalents ⁽¹⁾ | 8,390 | 8,390 | 2,628 | 2,628 |
| Reclamation deposits ⁽¹⁾ | 2,277 | 2,277 | 2,277 | 2,277 |
| Other financial assets | | | | |
| Assets held for sale (Note 4) ⁽¹⁾ | 770 | 770 | 1,054 | 1,054 |
| Other financial liabilities | | | | |
| Demand loans ⁽¹⁾ | 3,969 | 3,969 | 6,015 | 6,015 |
| Payables and accrued liabilities ⁽¹⁾ | 5,794 | 5,794 | 4,146 | 4,146 |
| Liabilities related to assets held for sale (Note 4) ⁽¹⁾ | 732 | 732 | 1,185 | 1,185 |
| Interest payable on royalty obligations ⁽¹⁾ | 4,709 | 4,709 | 3,205 | 3,205 |
| Debenture | 16,575 | 18,095 | - | - |

⁽¹⁾ Due to the nature and / or short maturity of these financial instruments, carrying value approximated fair value

(c) Section 3031, "Inventories"

This standard replaces the existing section 3030 with the same title and will harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards ("IFRS"). This standard requires that inventories be measured at lower of cost and net realizable value, and includes guidance on the determination of cost, including allocation of overheads and other costs. The standard also requires that similar inventories within a consolidated group be measured using the same method. It also requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The adoption of this new standard did not have an impact on the Company's financial statements.

Note 3 - Shrinkage Stope Platform Costs

Shrinkage stope platform costs represent ore that is being used to gain access to further ore. This ore is expected to be processed in the following 12 months. The processing of this broken ore occurs in accordance with a mine plan based on the known mineral reserves and current mill capacity. The timing of processing of ore has not been significantly affected by historic prices of gold.

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2008

(Canadian Dollars in Thousands, except as otherwise noted)

(Unaudited)

Note 4 - Assets Held For Sale and Related Operations

On July 14, 2008, the Company adopted a formal plan to dispose of its oil & natural gas properties. The related assets and liabilities of the remaining oil & natural gas properties have been reported as Assets held for sale and Liabilities related to assets held for sale in separate captions in the consolidated balance sheets and the related results of operations have been presented as operations held for sale in the consolidated statement of income and cash flows for all periods presented. The Company sold certain of these assets in the last quarter of the year for gross proceeds of \$11.2 million, realizing an accounting gain of \$6.5 million.

The Assets held for sale and the related liabilities were as follows as at:

| | December 31 2008 | December 31 2007 |
|--|---------------------|---------------------|
| Assets | | |
| Accounts receivable | \$ 770 | \$ 1,054 |
| Prepays | 142 | 213 |
| | <u>912</u> | <u>1,267</u> |
| Oil & natural gas properties | 4,715 | 9,099 |
| Deposits for reclamation costs | 142 | 112 |
| | <u>4,857</u> | <u>9,211</u> |
| | <u>\$ 5,769</u> | <u>\$ 10,478</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 732 | \$ 1,185 |
| Asset retirement obligations | 342 | 641 |
| | <u>\$ 1,074</u> | <u>\$ 1,826</u> |

The results of these operations were as follows:

| | Three Months Ended December 31 | | Years Ended December 31 | |
|--|-----------------------------------|----------------|----------------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Revenue | \$ 164 | \$ 905 | \$ 4,575 | \$ 3,026 |
| Operating expenses | 353 | 697 | 2,141 | 2,384 |
| Depreciation, depletion and accretion | 35 | 272 | 619 | 968 |
| | <u>388</u> | <u>969</u> | <u>2,760</u> | <u>3,352</u> |
| Earnings (loss) from operations held for sale | (224) | (64) | 1,815 | (326) |
| Other income | | | | |
| Asset retirement obligation change of estimate | 107 | - | 232 | - |
| Gain on sale of assets | 6,465 | - | 6,465 | - |
| Net earnings (loss) from operations held for sale | <u>\$ 6,348</u> | <u>\$ (64)</u> | <u>\$ 8,512</u> | <u>\$ (326)</u> |

The cash flows provided by operations held for sale were as follows:

| | Three Months Ended December 31 | | Years Ended December 31 | |
|---|-----------------------------------|---------------|----------------------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net earnings (loss) from operations held for sale | \$ 6,348 | \$ (64) | \$ 8,512 | \$ (326) |
| Adjustments for: | | | | |
| Depreciation, depletion and accretion | 35 | 272 | 619 | 968 |
| Asset retirement obligation change in estimate | (107) | - | (232) | - |
| Gain on sale of assets | (6,465) | - | (6,465) | - |
| Decrease (increase) in receivables | 1,106 | (198) | 284 | (1) |
| Decrease in prepaids | - | 2 | 71 | 97 |
| Increase (decrease) in payables and accrued liabilities | 11 | 230 | (453) | 163 |
| | <u>\$ 928</u> | <u>\$ 242</u> | <u>\$ 2,336</u> | <u>\$ 901</u> |

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2008

(Canadian Dollars in Thousands, except as otherwise noted)

(Unaudited)

Note 5 - Investments

Investments are classified as available-for-sale securities and are initially measured at fair value; measurement in subsequent reporting periods is also at fair value. Unrealized gains or losses from such revaluations are included in other comprehensive income (loss). If available-for-sale securities are disposed of, or there is an impairment in value that is other than a temporary decline, these amounts are transferred from other comprehensive income (loss) to net earnings.

| | December 31 2008 | December 31 2007 |
|--|---------------------|---------------------|
| Available-for-sale securities, beginning of year | \$ 1,140 | \$ 1,428 |
| Transition adjustment | - | 463 |
| Acquisition of available-for-sale securities | 73 | 30 |
| Disposal of available-for-sale securities | (379) | (13) |
| Mark-to-market loss for the year | (227) | (768) |
| Available-for-sale securities, end of year | \$ 607 | \$ 1,140 |

By holding these investments, the Company is exposed to various risk factors including market price risk and liquidity risk.

Note 6 - Demand Loans

| | December 31 2008 | December 31 2007 |
|--|---------------------|---------------------|
| Demand loan, repayable in monthly payments of \$96,514 including interest at 5.99%, due February 2010 | \$ 1,302 | \$ 2,348 |
| Demand loan, repayable in monthly payments of \$83,333 plus interest at prime plus 1.5%, due August 2011 | 2,667 | 3,667 |
| | \$ 3,969 | \$ 6,015 |

The demand loans are secured by a general security agreement covering all assets of the Company, excluding oil & natural gas assets.

Note 7 - Debenture

On June 30, 2008, the Company completed its debenture offering for gross proceeds of \$18.1 million. The debenture features a 12% interest rate, five year term with monthly interest only payments. Debenture holders are entitled to warrants in the amount of 10% of the debenture purchase. Each warrant will entitle the holder to acquire one common share at the exercise price of \$1.60 per common share for a period of five years from the date of closing. The fair value of the warrants associated with the debenture on the date of issuance was \$550,000. This amount is reflected in share capital. The debenture is secured by a general security agreement covering all of the Company's assets and contains early retraction and redemption provisions. The general security interest, excluding the Alberta oil & natural gas assets, is subordinated to all bank debt.

The Company incurred \$1.7 million of debt issue costs associated with the completion of this debenture offering. Pursuant to Company policy, these costs reduce the carrying value of the debenture and will be amortized using the effective interest rate method at an effective rate of 14.7% over the five year term of the liability.

| | December 31 2008 | December 31 2007 |
|--|---------------------|---------------------|
| Debenture payable | \$ 18,095 | \$ - |
| Less: debt issue costs and warrant valuation | (1,673) | - |
| | 16,422 | - |
| Add: amortization of debt issue costs | 153 | - |
| | \$ 16,575 | \$ - |

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2008

(Canadian Dollars in Thousands, except as otherwise noted)

(Unaudited)

Note 8 - Share Capital

At December 31, 2008 there were 97,112,030 common shares outstanding.

a) Issue of shares

During the year ended December 31, 2008, the Company issued 114,633 common shares pursuant to the Company's Employee Share Purchase Plan.

b) Stock Option Incentive Plan

The Company has established a share option plan under which options may be granted to directors, officers, key employees and consultants to purchase up to an aggregate of 9% of the issued and outstanding common shares. Options granted have an exercise price of the prior day's closing price of the common shares on the stock exchange on which the shares are traded. The majority of the options granted vest over two years and expire ten years from the date of the grant of the option.

For options outstanding at December 31, 2008 weighted average exercise prices are as follows:

| | December 31 2008 | Average Price | December 31 2007 | Average Price |
|-------------------|---------------------|---------------|---------------------|---------------|
| Beginning of year | 3,636,667 | \$ 1.27 | 3,380,000 | \$ 1.17 |
| Options granted | 583,000 | 0.92 | 925,000 | 1.63 |
| Options exercised | - | - | (270,000) | 0.81 |
| Options lapsed | (678,332) | 1.38 | (398,333) | 1.64 |
| End of year | 3,541,335 | \$ 1.19 | 3,636,667 | \$ 1.27 |

For options outstanding at December 31, 2008, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life are as follows:

| Option Price Per Share | Number | Weighted Average Exercise Price | Weighted Average Remaining Life |
|------------------------|-----------|------------------------------------|------------------------------------|
| \$0.53-\$1.02 | 1,092,668 | \$ 0.67 | 5.67 years |
| \$1.11-\$1.47 | 1,490,333 | 1.25 | 4.09 years |
| \$1.54-\$2.10 | 958,334 | 1.69 | 7.89 years |
| | 3,541,335 | \$ 1.19 | 5.60 years |

The fair value of stock options issued in the period was estimated using the Black-Scholes option pricing model with assumptions of six year weighted average expected option life, no expected forfeiture rate, 46.55% to 55.85% volatility and interest rates ranging from 2.80% to 3.69%. For the period ended December 31, 2008, the compensation cost recorded in respect of stock options issued was \$449,000 (December 31, 2007 - \$592,000).

Note 9 - Income Taxes

The Company finances a portion of its exploration activities through the issue of flow-through shares. The Company estimates the tax cost of expenditures renounced to subscribers on the date the deductions are renounced. Share capital is reduced and future income tax liabilities are increased by the estimated tax benefits renounced by the Company to the subscribers. As a result of unrecorded loss carryforwards and tax pools in excess of book value, future income tax liabilities are reduced with a corresponding credit to income tax recovery of \$2.2 million (2007 - \$1.7 million).

The Company has unrecognized future income tax assets that have been applied against the current year expected future income tax provision.

Note 10 - Comparative Figures

Certain prior period balances have been reclassified to conform to the current year's financial statement presentation.