



**NORTHERN LION  
GOLD CORP.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008**

*(Unaudited – Prepared by Management)*

**NOTICE OF NO 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 Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditor.

**NORTHERN LION GOLD CORP.**  
**INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)**

	September 30 2008	December 31 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	\$ 2,418,525	\$ 5,124,847
Marketable securities (Note 4)	1,256,913	4,314,534
Receivables	252,498	66,617
Prepaid expenses	-	11,551
<b>Total current assets</b>	<b>3,927,936</b>	<b>9,517,549</b>
<b>Mineral property interests</b> (Note 5)	<b>5,359,453</b>	<b>2,281,092</b>
<b>Equipment</b> (Note 6)	<b>24,488</b>	<b>21,528</b>
<b>Total assets</b>	<b>\$ 9,311,877</b>	<b>\$ 11,820,169</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 277,982	\$ 245,456
Accounts payable to related parties (Note 8)	14,909	9,803
<b>Total current liabilities</b>	<b>292,891</b>	<b>255,259</b>
<b>Shareholders' equity</b>		
Capital stock (Note 7)	22,767,283	22,767,283
Contributed surplus (Note 7)	3,453,035	3,288,628
Deficit	(17,201,332)	(14,491,001)
<b>Total shareholders' equity</b>	<b>9,018,986</b>	<b>11,564,910</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 9,311,877</b>	<b>\$ 11,820,169</b>

**Nature and continuance of operations** (Note 2)  
**Segmented information** (Note 11)

**On behalf of the Board:**

\_\_\_\_\_  
*"John Lando"* Director      \_\_\_\_\_  
*"Lyle Brown"* Director

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

**NORTHERN LION GOLD CORP.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT** (unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30 2008	SEPTEMBER 30 2007	SEPTEMBER 30 2008	SEPTEMBER 30 2007
	\$	\$	\$	\$
<b>EXPENSES</b>				
Amortization	974	1,032	2,920	3,097
Consulting	56,293	78,000	169,640	137,620
Filing and regulatory fees	(1,070)	701	21,072	19,302
Foreign exchange	(168,207)	(4,759)	(38,974)	1,307
Investor relations	5,321	8,629	31,434	22,983
Management fees	17,518	20,021	53,782	50,011
Office and administrative fees	25,379	21,366	98,393	63,646
Office and general	16,134	12,383	51,033	38,735
Professional fees	28,814	25,996	96,184	75,333
Rent	6,270	6,270	18,810	19,332
Salary and benefits	-	-	-	21,261
Stock-based compensation (Note 7(b))	50,673	52,806	164,407	184,547
Travel	23,445	13,514	87,475	39,917
<b>Loss before other income</b>	<b>(61,544)</b>	<b>(235,959)</b>	<b>(756,176)</b>	<b>(677,091)</b>
<b>OTHER ITEMS</b>				
Interest income	16,738	53,831	83,644	72,240
Loss on sale of marketable securities (Note 4)	(241,643)	-	(467,358)	-
Loss on sale of mineral property interests	-	(22,470)	-	(209,000)
Unrealized loss on marketable securities (Note 4)	(185,253)	(230,772)	(1,570,441)	(230,772)
	(410,158)	(199,411)	(1,954,155)	(367,532)
<b>Loss for the period</b>	<b>(471,702)</b>	<b>(435,370)</b>	<b>(2,710,331)</b>	<b>(1,044,623)</b>
<b>Deficit, beginning of period</b>	<b>(16,729,630)</b>	<b>(13,257,232)</b>	<b>(14,491,001)</b>	<b>(12,647,979)</b>
<b>Deficit, end of period</b>	<b>(17,201,332)</b>	<b>(13,692,602)</b>	<b>(17,201,332)</b>	<b>(13,692,602)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.02)</b>	<b>(0.01)</b>	<b>(0.09)</b>	<b>(0.03)</b>
<b>Weighted average number of shares outstanding</b>	<b>31,154,005</b>	<b>31,154,005</b>	<b>31,154,005</b>	<b>30,448,420</b>

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

**NORTHERN LION GOLD CORP.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS** (unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30 2008	SEPTEMBER 30 2007	SEPTEMBER 30 2008	SEPTEMBER 30 2007
	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	(471,702)	(435,370)	(2,710,331)	(1,044,623)
Items not affecting cash				
Amortization	974	1,032	2,920	3,097
Stock-based compensation	50,673	52,806	164,407	184,547
Loss on sale of marketable securities	241,643	-	467,358	-
Loss on sale of mineral property interest	-	22,470	-	209,000
Unrealized loss on marketable securities	185,253	230,772	1,570,441	230,772
Changes in non-cash working capital items:				
(Increase) decrease in receivables	10,060	(11,764)	(185,881)	11,361
Decrease in prepaid expenses	3,242	3,289	11,551	11,558
Increase (decrease) in accounts payable and accrued liabilities	(64,061)	11,319	9,843	81,534
Decrease in accounts payable to related parties	-	(45,430)	-	(2,718)
Net cash used in operating activities	(43,918)	(170,876)	(669,692)	(315,472)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of share capital	-	-	-	505,000
Share issuance costs	-	-	-	(26,869)
Net cash provided by (used in) financing activities	-	-	-	478,131
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Mineral property interests	(1,009,123)	(419,102)	(3,050,572)	(871,967)
Purchase of equipment	-	-	(5,880)	-
Proceeds from sale of marketable securities	343,477	-	1,019,822	-
Proceeds from sale of mineral property interests	-	-	-	5,000,000
Sale of mineral property interests costs	-	(22,470)	-	(114,442)
Net cash provided by (used in) investing activities	(665,646)	(441,572)	(2,036,630)	4,013,591
<b>Change in cash and equivalents during the period</b>	<b>(709,564)</b>	<b>(612,448)</b>	<b>(2,706,322)</b>	<b>4,176,250</b>
<b>Cash and equivalents, beginning of period</b>	<b>3,128,089</b>	<b>5,652,516</b>	<b>5,124,847</b>	<b>863,818</b>
<b>Cash and equivalents, end of period</b>	<b>2,418,525</b>	<b>5,040,068</b>	<b>2,418,525</b>	<b>5,040,068</b>
Cash and equivalents is represented by:				
Cash			\$ 731,521	\$ 177,320
Guaranteed investments			<u>1,687,004</u>	<u>4,862,748</u>
			<u>\$ 2,418,525</u>	<u>\$ 5,040,068</u>

**Supplemental disclosures with respect to cash flows** (Note 12)

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

**1. BASIS OF PRESENTATION**

The interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis, showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements for the year ended December 31, 2007. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes for the year ended December 31, 2007. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

**2. NATURE AND CONTINUANCE OF OPERATIONS**

The Company is incorporated under the laws of the Province of British Columbia and is in the business of exploration of its mineral property interests in Europe. To date, the Company has not yet earned significant revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business, for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

**3. ADOPTION OF NEW ACCOUNTING POLICIES**

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

**(i) Assessing going concern – Section 1400**

The Canadian Accounting Standards Board ("AcSB") amended Section 1400, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern. The adoption of this standard did not have an impact on our financial statements.

**(ii) Capital disclosures – Section 1535**

This new pronouncement establishes standards for disclosing information about an entity's capital and how it is managed. Section 1535 also requires the disclosure of any externally-imposed capital requirements, whether the entity has complied with them, and if not, the consequences (See Note 9).

**(iii) Financial Instruments – Section 3862 & 3863 – Disclosure and Presentation**

These new sections 3862 (on disclosures) and 3863 (on presentation) replace Section 3861, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. Section 3862 complements the principles for recognizing, measuring and presenting financial assets and financial liabilities in Financial Instruments. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset (See Note 10).

**3. ADOPTION OF NEW ACCOUNTING POLICIES (cont'd...)**

**New Accounting Pronouncements (cont'd...)**

Effective January 1, 2009, the Company is required to adopt the following accounting standards updates issued by the CICA

**(i) Goodwill and intangible assets – Section 3064**

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, EIC 27, "Revenue and Expenditures in the Pre-operating Period", will be withdrawn. We are currently assessing the impact of this new accounting standard on our consolidated financial statements.

**International Financial Reporting Standards ("IFRS")**

In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**4. MARKETABLE SECURITIES**

As at September 30, 2008, the Company's holdings of marketable securities consisted of 1,066,926 common shares (December 31, 2007 – 1,628,126 common shares) of Lapland Goldminers AB ("Lapland Goldminers") with a market value of \$1,256,916 (December 31, 2007 - \$4,314,534). The Company will not sell more than 10% of Lapland Goldminers shares in any 30-day period without the prior written consent of Lapland Goldminers. During the period ended September 30, 2008, 561,200 shares with a value of \$1,487,180 were sold for proceeds of \$1,019,822 resulting in a realized loss of \$467,358. The Company recorded an unrealized loss on its investment of \$1,570,441 (December; 31, 2007 - \$700,542) to operations due to mark-to-market valuation during the period.

**NORTHERN LION GOLD CORP.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**  
**SEPTEMBER 30, 2008**

**5. MINERAL PROPERTY INTERESTS**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing. However, this should not be construed as a guarantee of title. The mineral properties may be subject to prior claims, agreements, or transfers and rights of ownership may be affected by undetected defects. The properties in which the Company has committed to earn an interest are located in Europe.

	Cercal, Portugal	Moura, Portugal	Sweden	Republic of Cyprus	Total
Balance, December 31, 2007	\$ 995,991	\$ 486,533	\$ 798,568	\$ -	\$ 2,281,092
Additions					
Acquisition costs	15,806	-	-	-	15,806
Advances	(9,223)	(10,415)	-	-	(19,638)
Airborne geophysical	-	-	130,095	-	130,095
Assaying	75,695	144,866	-	147	220,708
Consulting	354,267	373,748	42,520	11,923	782,458
Drilling	421,229	1,333,098	-	-	1,754,327
Field personnel	11,272	11,444	-	-	22,716
Land use and permits	7,538	35,344	-	-	42,882
Maps and images	3,633	-	-	-	3,633
On site costs	29,492	45,851	3,737	-	79,080
Travel and lodging	20,018	25,235	-	1,041	46,294
Total for the period	929,727	1,959,171	176,352	13,111	3,078,361
Balance, September 30, 2008	\$ 1,925,718	\$ 2,445,704	\$ 974,920	\$ 13,111	\$ 5,359,453

**Cercal, Portugal**

The Company has entered into an agreement with SES Sweden AB ("SES") to explore an area of geological interest previously identified by SES in the Iberian Pyrite Belt, in Portugal. The Company has an option to acquire a 95% interest in consideration of payments of 80,000 Euro (30,000 Euro paid), over four years. SES will retain the remaining 5% interest in the property, which will be carried until the Company obtains a bankable feasibility study on the property. SES has also granted to the Company a ten year right of first refusal on any proposed transfer by SES of any interest it may have in properties in Portugal, Spain or Cyprus.

Effective May 12, 2006, the Company was granted an exploration licence by the Portuguese government mining authority to explore certain areas of the Iberian Pyrite Belt. The licence is valid for an initial period of two years and requires minimum exploration expenditures in first and second years of 150,000 Euro (incurred) and 260,000 Euro (incurred), respectively. Three, one-year, extensions beyond the initial term are available, subject to meeting certain conditions. The first extension was received on July 1, 2008. Minimum expenditures of 300,000 Euro are required for each extension year. Mineral production from the license is subject to a 3% net smelter royalty in favour of the Government of Portugal.

**NORTHERN LION GOLD CORP.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**  
**SEPTEMBER 30, 2008**

**5. MINERAL PROPERTY INTERESTS (cont'd...)**

**Moura, Portugal**

Effective May 25, 2007, the Company has been granted an exploration licence for the Moura-Vila Verde de Ficalho region of southeastern Portugal. The exploration licence has an initial term of two years with three one-year extensions available, subject to certain conditions. Under the exploration licence, the Company is required to incur 300,000 Euro in the first year (incurred) and 550,000 Euro (incurred) in the second year in exploration costs. Three one year extensions beyond the initial term are available, subject to certain conditions and minimum expenditures of 450,000 Euro are required for each extension year. Mineral production from the licence is subject to a 3% net smelter return royalty in favour of the Government of Portugal.

**Sweden**

The Company holds a 100% interest in several claims in the Bergslagen area of south-central Sweden.

Pursuant to an agreement with Lappland Goldminers, the Company paid to Lappland Goldminers SEK4,000,000, by the issuance of 1,018,667 common shares (the "Shares") of the Company, with a value of \$611,200 to acquire a 100% interest in Nynäsberget gold prospect in central Sweden. The agreement provides that the Shares will be subject to a two year hold period expiring February 16, 2009, after which the Company will have the first right to purchase or place the Shares, should Lappland Goldminers wish to sell all or a portion of them.

**Republic of Cyprus**

On May 15, 2008, the Company entered into an option agreement with Katla Exploration Ltd. ("Katla") to acquire a 90% interest in an exploration permit by making payments totalling US\$175,000 (\$25,000 paid subsequent to September 30, 2008) and issuing 220,000 common shares (40,000 issued subsequent to September 30, 2008) of the Company to Katla over two years, and incurring expenditure of \$2,625,000 over a three year period.

**6. EQUIPMENT**

	September 30, 2008			December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 50,778	\$ 26,290	\$ 24,488	\$ 44,898	\$ 23,370	\$ 21,528

**7. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Amount	Contributed Surplus
Authorized			
100,000,000 common shares, without par value			
Issued			
Balance, December 31, 2007	31,154,005	\$ 22,767,283	\$ 3,288,628
Stock-based compensation	-	-	164,407
Balance, September 30, 2008	31,154,005	\$ 22,767,283	\$ 3,453,035

**NORTHERN LION GOLD CORP.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**  
**SEPTEMBER 30, 2008**

**7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**(a) Stock options**

The Company has a formal stock option plan in place, whereby it is authorized to grant options to executive officers, directors, employees and consultants, for up to 5,612,427 common shares. The exercise price of each option shall not be less than the discounted market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years, and are subject to a vesting provision whereby 25% are exercisable on the date of grant and 12.5% become exercisable every 3 months. The entire option will be vested in a period of 18 months.

At September 30, 2008, the Company had reserved for issuance 3,427,500 common shares related to the director, employee and consultant options:

Outstanding Options		
Number of Shares	Exercise Price	Expiry Date
100,000	\$0.25	February 26, 2012
100,000	\$0.35	February 26, 2012
10,000	\$0.30	August 31, 2011
1,537,500	\$0.40	December 30, 2010
115,000	\$0.40	January 5, 2011
200,000	\$0.44	October 18, 2012
800,000	\$0.47	May 9, 2012
250,000	\$0.50	March 1, 2010
200,000	\$0.50	July 1, 2012 (expired subsequent to September 30, 2008)
70,000	\$0.60	March 2, 2010
45,000	\$0.60	June 6, 2010

During the nine months ended September 30, 2008, the Company granted 250,000 stock options. The weighted average fair value of options granted and vested during the nine months ended September 30, 2008 was \$0.13 (2007 – \$0.40).

**(b) Stock-based compensation**

The total stock-based compensation calculated under the fair value method was \$32,164 (2007 - \$380,199) using the Black-Scholes option pricing model. The stock-based compensation will be recognized over their vesting period. The stock-based compensation expense for the period was \$164,683 (2007 - \$189,405). From the total \$Nil (2007 - \$4,858) were allocated to mineral property interests. The following weighted average assumptions were used for the Black-Scholes option-pricing model calculation of stock options granted and vested during the period:

	2008	2007
Risk-free interest rate	2.96 - 3.47%	3.93%
Expected life of options	1.5 – 4.5 years	2 years
Annualized volatility	65.60 - 87.60%	85.78%
Dividend rate	0.00%	0.00%

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**NORTHERN LION GOLD CORP.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**  
**SEPTEMBER 30, 2008**

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**7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**(c) Warrants**

At September 30, 2008, warrants were outstanding enabling holders to acquire the following number of shares:

<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
1,859,200	\$ 0.40	March 12, 2009
214,000	\$ 0.40	March 15, 2009
<u>2,073,200</u>		

**8. RELATED PARTY TRANSACTIONS**

Accounts payable to related parties at September 30, 2008 totalling \$14,909 (December 31, 2007 - \$9,803) consisted of an amount due to a private company controlled by a director of the Company's subsidiary for \$14,909 (December 31, 2007 - \$9,803) for reimbursed expenditures and consulting fees.

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$53,782 (2007 - \$50,011) for management fees to a director.
- b) Paid or accrued \$Nil (2007 - \$127,856) for legal fees of which \$Nil (2007 - \$2,285) was capitalized to mineral property interests, \$Nil (2007 - \$76,826) was allocated to the sale of mineral property interest and \$Nil (2007 - \$23,309) was allocated to capital stock, to a law practice in which a director is the principal.
- c) Paid or accrued consulting fees and reimbursed expenditures of \$Nil (2007- \$21,225) to a company controlled by a director in common with the Company's subsidiary. The Company allocated \$Nil (2007 - \$18,200) of these fees and expenses to mineral property interests.
- d) Paid or accrued \$Nil (2007 - \$3,760) for accounting services to an accounting firm in which a director is a partner.
- e) Paid or accrued consulting fees and reimbursed expenditures of \$122,654 (2007 - \$Nil) to a company controlled by a director of the Company's subsidiaries. The Company allocated \$119,557 (2007 - \$Nil) of these fees and expenses to mineral property interests.

These transactions were in the normal course of operations and are measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

**9. MANAGEMENT OF CAPITAL**

The Company manages its capital to safeguard its ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in the shareholder's equity as capital. The Company manages the capital structure and makes adjustments to it in the 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, sell assets, incur debt, or return capital to shareholders. As of September 30, 2008, the Company does not have any debt and is not subject to externally imposed capital requirements.

## **10. FINANCIAL INSTRUMENTS**

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, and interest rate risks. Where material, these risks are reviewed and monitored by the Board of Directors.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration stage. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

### **Credit risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company credit risk is primarily attributable to its liquid financial assets including cash and equivalents, restricted cash, marketable securities, and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents and restricted cash with high-credit quality financial institutions.

The majority of the Company's cash and cash and equivalents are held with major Canadian based financial institutions.

### **Currency risk**

The Company operates in a number of countries, including Canada, Portugal, Sweden and Cyprus, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The Company's cash and equivalents, receivables, accounts payable and accrued liabilities and accounts payable to related party are held in several currencies and are therefore subject to fluctuation against the Canadian dollar.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term maturity.

**NORTHERN LION GOLD CORP.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**  
**SEPTEMBER 30, 2008**

**10. FINANCIAL INSTRUMENTS (cont'd)**

The estimated fair value of financial assets is equal to their carrying values. At September 30, 2008, the Company's financial assets were held in the following currencies:

Carrying Value	Stated in Canadian Dollars			Total
	Canadian Dollar	European Euro	Swedish Krona	
Cash	610,421	104,276	16,824	731,521
Cash equivalents	1,687,004	-	-	1,687,004
Cash and equivalents	2,297,425	104,276	16,824	2,418,525
Marketable securities	1,256,913	-	-	1,256,913
Receivables	24,142	226,097	2,259	252,498

The estimated fair value of financial liabilities is equal to their carrying values. At September 30, 2008, the Company's financial liabilities were held in the following currencies:

Carrying Value	Stated in Canadian Dollars			Total
	Canadian Dollar	European Euro	Swedish Krona	
Accounts payable and accrued liabilities	83,762	194,220	-	277,982
Accounts payable to related parties	-	14,909	-	14,909

**11. SEGMENTED INFORMATION**

The Company operates in one business segment, the exploration of mineral properties. Geographic information is as follows:

	Canada	Finland	Portugal	Sweden	Republic of Cyprus	Total
September 30, 2008						
Mineral property interests	\$ -	\$ -	\$ 4,371,422	\$ 974,920	\$ 13,111	\$ 5,359,453
Equipment	24,488	-	-	-	-	24,488
Other assets	3,578,480	-	330,373	19,083	-	3,927,936
Total assets	\$ 3,602,968	\$ -	\$ 4,701,795	\$ 994,003	\$ 13,111	\$ 9,311,877
<b>Loss for the period</b>	\$ 2,802,024	\$ -	\$ (87,538)	\$ (4,155)	\$ -	\$ 2,710,331

	Canada	Finland	Portugal	Sweden	Republic of Cyprus	Total
December 31, 2007						
Mineral property interests	\$ -	\$ -	\$ 1,482,524	\$ 798,568	\$ -	\$ 2,281,092
Equipment	21,528	-	-	-	-	21,528
Other assets	8,992,772	-	508,721	16,056	-	9,517,549
Total assets	\$ 9,014,300	\$ -	\$ 1,991,245	\$ 814,624	\$ -	\$ 11,820,169
<b>Loss for the year</b>	\$ 1,632,434	\$ 183,620	\$ 26,968	\$ -	\$ -	\$ 1,843,022

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**NORTHERN LION GOLD CORP.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**  
**SEPTEMBER 30, 2008**

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**12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

	2008	2007
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Significant non-cash transactions for the period ended September 30, 2008 included:

- a) \$209,129, included in mineral property interests incurred through accounts payable.
- b) \$14,909, included in mineral property interest incurred through accounts payable to related parties

Significant non-cash transactions for the period ended September 30, 2007 included:

- a) \$2,291, included in mineral property interests incurred through accounts payable.
- b) \$223,752, included in mineral property interests incurred through accounts receivable.
- c) \$4,858, included in mineral property interests incurred through stock-based compensation.
- d) The Company issued 1,018,667 common shares of the Company with a value of \$611,200 pursuant to a property purchase agreement to acquire a 100% interest in Nynäsberget gold prospect.
- e) The Company received 1,771,726 shares of Lapland Goldminers pursuant to an agreement to sell all of its Finnish mineral property interests.
- f) The Company recorded using the Black-Scholes option pricing model, \$21,128 as the fair value for the finders fee warrants on the non-brokered private placement completed during the period in capital stock and contributed surplus.