



RUBICON

**RUBICON MINERALS CORPORATION**

**Consolidated Financial Statements**

(Stated in Canadian Dollars)

December 31, 2008  
and  
December 31, 2007

## **RUBICON MINERALS CORPORATION**

### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

Management of Rubicon Minerals Corporation is responsible for the integrity and fair presentation of the financial information contained in this annual report which has been approved by the board of directors. Where appropriate, the financial information, including financial statements, reflects amounts based on the best estimates and judgments of management. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reconciled to accounting principles generally accepted in the United States as set out in note 21. Financial information presented elsewhere in the annual report is consistent with that disclosed in the financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has a process in place to evaluate internal control over financial reporting based on the criteria established, by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in Internal Control - Integrated Framework. Based on that evaluation, management has concluded that internal control over financial reporting was effective as of December 31, 2008. De Visser Gray LLP, an independent registered public accounting firm of Chartered Accountants, appointed by the shareholders, have performed an audit on the effectiveness of our internal controls over financial reporting, as of December 31, 2008 and their report is attached.

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee, which is composed entirely of independent directors. The Audit Committee meets periodically with management and the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders.

De Visser Gray LLP have audited our financial statements in accordance with generally accepted auditing standards in Canada and the Public Company Accounting Oversight Board (United States), and have expressed their opinion in the auditor's report.

*"David Adamson"*  
David Adamson  
President

*"Robert Lewis"*  
Robert Lewis  
Chief Financial Officer

**DE VISSER GRAY LLP**  
**CHARTERED ACCOUNTANTS**

**401 - 905 West Pender Street  
Vancouver, BC Canada  
V6C 1L6**

**AUDITORS' REPORT**

To the Shareholders of Rubicon Minerals Corporation

We have audited the consolidated balance sheets of Rubicon Minerals Corporation as at December 31, 2008 and 2007, the consolidated statements of operations and deficit, comprehensive loss and cash flows for each of the years in the three year period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations, comprehensive loss and cash flows for each of the years in the three year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles

*"De Visser Gray LLP"*

**CHARTERED ACCOUNTANTS**

Vancouver, British Columbia  
March 26, 2009

# RUBICON MINERALS CORPORATION

Consolidated Balance Sheets  
(Stated in Canadian Dollars)

	As at December 31	
	2008	2007
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 18,753,749	\$ 14,791,309
Temporary investments (note 8)	4,011,587	15,082,513
Marketable securities (note 9)	73,380	-
Amounts receivable	193,461	1,708,000
Prepaid expenses and supplier advances	109,757	43,498
	23,141,934	31,625,320
<b>Investment in companies spun-off</b> (notes 3 and 10)	153,400	439,629
<b>Equipment</b> (note 11)	177,115	157,786
<b>Other investments</b> (note 12)	499,561	2,637,877
<b>Mineral property costs</b> (note 13) (Schedule)	82,862,073	66,157,058
	\$ 106,834,083	\$ 101,017,670
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 793,393	\$ 811,130
Corporate income tax payable	22,603	74,000
	815,996	885,130
<b>Future income taxes</b> (note 16)	14,773,269	14,774,288
<b>Shareholders' equity</b>		
Share capital (note 14(a))	109,912,429	103,572,229
Contributed surplus (note 14(d))	4,012,933	3,082,261
Deficit	(21,351,403)	(21,845,844)
Accumulated other comprehensive income (note 15)	(1,329,141)	549,606
	91,244,818	85,358,252
	\$ 106,834,083	\$ 101,017,670

See accompanying notes to the consolidated financial statements

Commitments (Note 18)  
Subsequent events (Note 20)

Approved by the Board of Directors:

"David Adamson"  
David Adamson, Director

"John R. Brodie"  
John R. Brodie, FCA, Director

# RUBICON MINERALS CORPORATION

Consolidated Statements of Operations and Deficit

(Stated in Canadian Dollars)

	For the years ended December 31		
	2008	2007	2006
<b>Expenses</b>			
Amortization	\$ 70,391	\$ 52,304	\$ 21,442
Consulting	74,259	85,569	95,346
General mineral exploration	232,932	189,027	236,278
Investor relations	630,626	397,115	592,141
Office	174,387	270,288	197,252
Part XII.6 tax on flow-through	159,279	-	23,999
Professional fees	200,085	353,126	281,364
Rent	81,308	54,586	81,207
Re-organization costs	-	64,691	925,439
Salaries	944,150	1,032,130	784,731
Stock-based compensation (note 14(b))	659,806	576,605	220,964
Transfer agent and regulatory filing fees	121,161	130,141	103,383
Travel and accommodation	138,534	122,457	41,000
Write-off of mineral property costs	-	224,696	258,823
<b>Loss before other items</b>	(3,486,918)	(3,552,735)	(3,863,369)
Interest and other income	732,798	941,330	355,300
Option and administration fees received in excess of property costs	578,664	317,801	448,998
Gain (loss) on sale of investments	(222,491)	7,822	128,880
Other (losses) and gains	(357,343)	128,779	142,223
Loss on disposal of equipment	(4,475)	-	(3,226)
Loss on equity investment	-	(75,938)	(1,338,877)
Current income tax expense	(22,603)	(7,000)	(152,000)
Future income tax recovery (note 14(a)(4))	3,276,809	23,560	477,400
Allocation of subsidiary's loss to minority interest	-	-	16,751
<b>Net income (loss) for the year</b>	494,441	(2,216,381)	(3,787,920)
<b>Deficit, beginning of the year</b>	(21,845,844)	(19,629,463)	(15,841,543)
<b>Deficit, end of the year</b>	\$ (21,351,403)	\$ (21,845,844)	\$ (19,629,463)
<b>Net income (loss) per common share</b>	\$ 0.00	\$ (0.02)	\$ (0.05)
<b>Fully diluted income (loss) per common share</b>	\$ 0.00	\$ (0.02)	\$ (0.05)
Weighted average number of common shares outstanding	148,878,778	118,158,856	73,500,891
Fully diluted weighted average number of common shares outstanding*	150,421,393	118,158,856	73,500,891

\* The exercise of options and warrants, in the years ended December 31, 2007 and 2006, would have been anti-dilutive and so have been excluded from the calculation of fully diluted common shares in those years.

See accompanying notes to the consolidated financial statements

# RUBICON MINERALS CORPORATION

Consolidated Statements of Comprehensive Loss

(Stated in Canadian Dollars)

	For the years ended December 31		
	2008	2007	2006
<b>Net income (loss) for the year</b>	\$ 494,441	\$ (2,216,381)	\$ (3,787,920)
<b>Other comprehensive income (loss) in the year</b>			
Fair value adjustment to available for sale financial instruments:			
Temporary investments	25,021	(19,852)	-
Other investments	(2,069,085)	792,327	-
Less realized (gains) and losses on other investments reclassified to net income	222,491	(7,822)	-
Less impairment losses on other investments reclassified to net income	281,647	-	-
	(1,564,947)	784,505	
Investment in companies spun-off	(338,821)	(423,600)	-
<b>Other comprehensive income (loss) in the year</b>	(1,878,747)	341,053	-
<b>Comprehensive income (loss) for the year</b>	(1,384,306)	(1,875,328)	(3,787,920)
<b>Adjustment to accumulated other comprehensive income on adoption of new standard</b>	-	208,553	-
<b>Accumulated comprehensive loss, beginning of the year</b>	(21,296,238)	(19,629,463)	(15,841,543)
<b>Accumulated comprehensive loss, end of the year</b>	\$ (22,680,544)	\$ (21,296,238)	\$ (19,629,463)

See accompanying notes to the consolidated financial statements

# RUBICON MINERALS CORPORATION

## Consolidated Statements of Cash Flows

(Stated in Canadian Dollars)

	For the years ended December 31		
	2008	2007	2006
<b>Cash Provided by (Used for):</b>			
<b>Operating Activities</b>			
Net income (loss) for the year	\$ 494,441	\$ (2,216,381)	\$ (3,787,920)
Adjustment for items which do not involve cash:			
Amortization	70,391	52,304	21,442
Stock-based compensation in administration	659,806	576,605	220,964
Write-off of mineral property costs	-	224,696	258,823
(Gain) loss on sale of investments	222,491	(176,201)	(271,103)
Other gains and losses	342,788	-	-
Loss on equity investment	-	75,938	1,338,877
Settlement gains and non-cash expenses	-	-	3,226
Interest and other income	43,458	135,318	35,318
Future income tax recovery	(3,276,809)	(23,560)	(477,400)
Allocation of subsidiary's loss to minority interest	-	-	(16,751)
	(1,443,434)	(1,351,281)	(2,674,524)
Changes in non-cash working capital components:			
Prepaid expenses	(66,259)	(14,750)	(9,665)
Amounts receivable	454,865	(157,694)	(293,247)
Accounts payable and accrued liabilities	(147,039)	66,749	(499,095)
Income taxes payable	(51,397)	(78,000)	152,000
	(1,253,264)	(1,534,976)	(3,324,531)
<b>Investing Activities*</b>			
Temporary investments	11,052,489	(11,218,285)	(4,019,398)
Deferred property costs	(16,893,521)	(11,415,083)	(3,661,518)
Recovery of property costs incurred	1,392,438	2,844,874	2,430,434
Management and administration fees received	7,193	163,789	164,117
Purchase of investments and equipment	(94,195)	(144,830)	(953,437)
Proceeds of disposal of equipment	-	-	3,750
Proceeds on sales of investments	193,060	1,659,211	755,758
	(4,342,536)	(18,110,324)	(5,280,294)
<b>Financing Activities*</b>			
Common shares issued and subscriptions received	10,298,529	27,737,051	13,904,766
Share issue costs	(740,289)	(534,122)	(876,764)
	9,558,240	27,202,929	13,028,002
<b>Increase in cash and cash equivalents</b>	<b>3,962,440</b>	<b>7,557,629</b>	<b>4,423,177</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>14,791,309</b>	<b>7,233,680</b>	<b>2,810,503</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 18,753,749</b>	<b>\$ 14,791,309</b>	<b>\$ 7,233,680</b>

During 2008, the Company received \$732,452 (2007 - \$794,476) in interest and paid \$879 (2007 - \$744) in interest.

\*Supplemental Disclosure of Non-Cash Investing and Financing Activities - Refer to Note 19.

See accompanying notes to the consolidated financial statements

# RUBICON MINERALS CORPORATION

## Consolidated Statements of Mineral Property Costs

(Stated in Canadian Dollars)

	Balance December 31 2006	Gross Expenditures 2007	Write-off, Recovery or Sold 2007	Balance December 31 2007	Gross Expenditures 2008	Recovery 2008	Balance December 31 2008
<b>CANADA</b>							
<b>ONTARIO</b>							
<b>RED LAKE MINING DIVISION</b>							
<b>Phoenix Gold Project</b>							
Acquisition and option payments	\$ 3,651,540	\$ 75,000	\$ -	\$ 3,726,540	\$ 328,744	\$ -	\$ 4,055,284
Exploration costs:							
Geological and geochemical	1,644,349	187,437	-	1,831,786	333,167	-	2,164,953
Drilling	6,003,586	2,514,748	-	8,518,334	10,795,895	-	19,314,229
Geophysical	101,147	-	-	101,147	355,115	-	456,262
Travel and accommodation	193,588	14,917	-	208,505	96,635	-	305,140
Other	32,056	60,846	-	92,902	16,833	-	109,735
Underground Permitting	-	-	-	-	734,849	-	734,849
	11,626,266	2,852,948	-	14,479,214	12,661,238	-	27,140,452
<b>Other Red Lake Properties</b>							
Acquisition and option payments	534,361	66,000	(121,750)	478,611	26,716	(21,149)	484,178
Exploration costs:							
Geological and geochemical	1,184,316	235,667	(138,097)	1,281,886	109,308	(49,061)	1,342,133
Drilling	666,811	1,857,096	(1,807,559)	716,348	1,367,662	(280,635)	1,803,375
Geophysical	280,310	-	(10,506)	269,804	64,421	-	334,225
Travel and accommodation	91,519	17,650	(8,003)	101,166	21,109	(300)	121,975
Other	40,895	13,962	(2,153)	52,704	15,096	-	67,800
Administration fees (earned)	(525,810)	-	(116,410)	(642,220)	-	(5,860)	(648,080)
	2,272,402	2,190,375	(2,204,478)	2,258,299	1,604,312	(357,005)	3,505,606
<b>McCuaig JV Project</b>							
Acquisition and option payments	119,890	6,000	-	125,890	-	-	125,890
Exploration costs:							
Geological and geochemical	451,042	85,394	(5,115)	531,321	-	-	531,321
Drilling	1,146,232	1,873,932	(746,104)	2,274,060	28,318	(15,564)	2,286,814
Geophysical	27,425	-	-	27,425	-	-	27,425
Travel and accommodation	32,192	6,028	(2,411)	35,809	-	-	35,809
Other	2,000	-	-	2,000	6,000	-	8,000
Administration fees (earned)	(27,635)	-	(47,379)	(75,014)	-	(1,331)	(76,345)
	1,751,146	1,971,354	(801,009)	2,921,491	34,318	(16,895)	2,938,914
<b>English Royalty Division</b>							
Acquisition and option payments	-	481,142	(481,142)	-	153,847	(153,847)	-
Exploration costs:							
Geological and geochemical	53,238	3,370	(56,608)	-	-	-	-
Travel and accommodation	9,119	-	(9,119)	-	-	-	-
Other	107	14,293	(14,400)	-	-	-	-
	62,464	498,805	(561,269)	-	153,847	(153,847)	-

See accompanying notes to the consolidated financial statements

# RUBICON MINERALS CORPORATION

## Consolidated Statements of Mineral Property Costs

(Stated in Canadian Dollars)

	Balance December 31 2006	Gross Expenditures 2007	Write-off, Recovery or Sold 2007	Balance December 31 2007	Gross Expenditures 2008	Recovery 2008	Balance December 31 2008
<b>UNITED STATES OF AMERICA</b>							
<b>ALASKA</b>							
<b>Alaska Properties (McEwen Acquisition)</b>							
Acquisition and option payments	\$ -	\$ 37,200,284	\$ -	\$ 37,200,284	\$ -	\$ -	\$ 37,200,284
Exploration costs							
Geological and geochemical	-	777,287	-	777,287	1,037,621	-	1,814,908
Drilling	-	1,800,184	-	1,800,184	571,325	-	2,371,509
Travel and accommodation	-	8,320	-	8,320	17,910	-	26,230
Other	-	423,960	-	423,960	401,295	-	825,255
	-	40,210,035	-	40,210,035	2,028,151	-	42,238,186
<b>NEVADA</b>							
<b>Nevada Properties (McEwen Acquisition)</b>							
Acquisition and option payments	-	6,176,343	-	6,176,343	1,192	-	6,177,535
Exploration costs							
Geological and geochemical	-	79,449	-	79,449	217,528	-	296,977
Geophysics	-	31,809	-	31,809	530,849	-	562,658
Other	-	418	-	418	1,327	-	1,745
	-	6,288,019	-	6,288,019	750,896	-	7,038,915
<b>Mineral Property Costs</b>	<b>\$ 15,712,278</b>	<b>\$ 54,011,536</b>	<b>\$ (3,566,756)</b>	<b>\$ 66,157,058</b>	<b>\$ 17,232,762</b>	<b>\$ (527,747)</b>	<b>\$ 82,862,073</b>

### Mineral Property Costs Written-off

The composition of the write-off figures by property classification is as follows:

	2006	2007	2008
Other Red Lake Properties	\$ -	\$ 224,696	\$ -
Avalon Trend Properties	259,210	-	-
Golden Promise Trend Properties	6	-	-
Other Newfoundland Properties	(393)	-	-
Total costs written-off	258,823	224,696	-
Costs recovered through Toquima plan of arrangement	1,672,479	-	-
Costs transferred to Paragon Minerals pursuant to the Plan of Arrangement	6,979,705	-	-
Aggregate cost recoveries and administration fees received	3,084,118	3,342,060	527,747
Total write-offs and recoveries	\$ 11,995,125	\$ 3,566,756	\$ 527,747

See accompanying notes to the consolidated financial statements

# RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2008, 2007 and 2006

(Stated in Canadian Dollars)

## 1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated in British Columbia, Canada and has been primarily involved in the acquisition and exploration of mineral property interests in Canada and the United States. At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties. The ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property. The Company is in the development stage with no source of operating revenue and is dependent upon equity financing to maintain its current operations.

## 2. MCEWEN PROPERTY ACQUISITION AND FINANCING

On May 18th, 2007 the Company closed the McEwen acquisition and financing with Robert McEwen (“McEwen”), Evanachan Limited, Lexam Explorations Inc. and McEwen Capital Corp. (companies controlled by McEwen) pursuant to which the Company acquired two property groups totaling approximately 535,000 acres in Alaska and from Lexam Explorations Inc., a 225,000 acre property in the northeastern part of Nevada, extending into Utah. The purchase price totaled \$28 million consisting of 40 million common shares of the Company at a deemed price of \$0.70 per share. In addition, McEwen made a private placement in the Company for \$10 million and arranged a further \$5 million private placement by other persons for total proceeds of \$15 million. The placements totaled 21.4 million units consisting of one common share and one half of one share purchase warrant, exercisable for two years at \$1.50 per whole warrant. McEwen and the associated companies, will have a right of first refusal on all future equity or debt financings as long as, together, they control greater than 10% of the issued and outstanding capital of the Company. Refer also to notes 13 and 14.

## 3. RE-ORGANIZATION

On December 8, 2006, the Company completed a corporate restructuring by way of a Plan of Arrangement (“POA”), which had the result of dividing its existing assets into three separate public companies. Following the corporate restructuring, the Company continues to hold its Ontario properties in the Red Lake area while its Newfoundland properties were distributed into a new public company called Paragon Minerals Corporation (“Paragon”) which trades on the TSX Venture Exchange. Each Rubicon shareholder received one Paragon common share for every six Rubicon common shares held on December 19th, 2006. The Company transferred its approximately 39.6% shareholdings in Africo Resources Ltd. into a new TSX-listed company, which adopted the name Africo Resources Ltd. (“New Africo”). New Africo controlled an option to acquire a 75% interest in a copper-cobalt resource located in the Democratic Republic of Congo. Under the POA, all other holders of Africo shares exchanged their shares for New Africo common shares on a 1:1 basis, while each Rubicon shareholder received 0.0925 of a New Africo common share for each Rubicon common share held on December 19th, 2006. Pursuant to the POA, the rights of pre-existing Rubicon option and warrant holders were maintained through agreements with the new companies to settle with their own shares their pro-rata portions of these instruments at a pro-rata share of the original exercise price. In the case of New Africo, any exercise proceeds are to be returned to Rubicon and Rubicon also has the right to exercise any of the warrants or options which expire, for a period of 30 days after the expiry date. As New Africo must remit all such proceeds to Rubicon, the exercise price to Rubicon is effectively nil in respect to these warrants and options.

As no substantive ownership change occurred on transferring the assets, the transfers were recorded at their carrying values in the accounts of the Company, with the warrant and option rights and related compensation incurred pursuant to the terms of the POA recorded at current fair values, summarized as follows:

	\$
Newfoundland Properties transferred to Paragon	(6,979,704)
Office equipment transferred to Paragon	(15,952)
Adjusted cost of Africo Resources (BC) Ltd. shares transferred to New Africo	(5,807,438)
Net residual fair value of options/warrants transferred	2,205,667
Net reduction to share capital on POA	(10,597,427)

# RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2008, 2007 and 2006

(Stated in Canadian Dollars)

## 3. RE-ORGANIZATION (continued)

The adjustment of rights of warrant and option holders created certain rights and obligations in Rubicon which were initially valued at fair values at the POA date, and then adjusted to fair value at December 31, 2006, as follows:

	\$
Shares receivable from Africo at fair value, net of option/warrant liabilities	2,047,097
Fair value of Paragon options/warrants net of option/warrant liabilities	100,836
Net investment of Rubicon at December 31, 2006	2,147,933
Africo and Paragon shares and related cash proceeds realized in 2007	(1,284,704)
Adjustment to fair value of net investment at December 31, 2007	(423,600)
Net investment of Rubicon at December 31, 2007	439,629
Africo and Paragon shares and related cash proceeds realized in 2008	52,592
Adjustment to fair value of net investment at December 31, 2008	(338,821)
Net investment of Rubicon at December 31, 2008	153,400

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting and Consolidation

These consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. As described in note 21, these principles differ in certain respects from principles and practices generally accepted in the United States ("US") and requirements promulgated by the Securities and Exchange Commission. Summarized below are those policies considered particularly significant to the Company. References to the Company included herein are inclusive of the accounts of the parent company and its 100% owned subsidiaries, 1304850 Ontario Inc., 0691403 BC Ltd., Rubicon Alaska Holdings Inc., Rubicon Alaska Corp., Rubicon Minerals Nevada Inc. and Rubicon Nevada Corp. The investment in Constantine Metal Resources Ltd. was accounted for on the equity basis until July 2007 when it ceased to qualify as an equity accounted investment. All inter-company balances have been eliminated.

### Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. Actual results could differ from those estimates.

The Company's investments in marketable securities are items that, due to expected market volume and price fluctuations, may yield net realizable values that are materially different from their current book values at any point in time. Other items involving substantial measurement uncertainty are the carrying costs of mineral property interests and the determination of stock-based compensation.

### Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and short-term notes and bank deposits with an original maturity of three months or less.

### Marketable Securities

Marketable securities include the Company's investments in shares of public companies for which there is no intention to hold for periods of longer than one year. These investments have been categorized as available for sale financial instruments and as such are carried at fair value. Adjustments to fair value are recorded in other comprehensive income

# RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2008, 2007 and 2006

(Stated in Canadian Dollars)

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

unless there is a loss in value that is other than temporary, in which case the adjustment to fair value is included in income and not reversed on future fair value changes.

### **Investments**

The Company's investments in shares receivable of Africo and other public company shares and have been categorized as available for sale financial instruments and as such are carried at fair value. These investments are considered non-current assets as the Company intends to hold them for a period of greater than one year. Adjustments to fair value are recorded in other comprehensive income unless there is a loss in value that is other than temporary, in which case the adjustment to fair value is included in income and not reversed on future fair value changes.

The Company's investments in Paragon options/warrants, as well as vested option and warrant liabilities have been categorized as held-for-trading and as such are recorded at fair value with adjustments to fair value being recorded in income.

### **Equipment**

Equipment is recorded and amortized over their estimated useful economic lives using the declining balance method at annual rates of 20% for field equipment and office furniture and equipment, 30% for computer equipment, 50% for software and straight line over the remaining period of the lease plus one renewal period for leasehold improvements.

### **Mineral Property Costs**

Acquisition, option payments and direct exploration costs are deferred until the properties are placed into production, sold or abandoned, at which time these deferred costs will either be amortized on a unit-of-production basis, charged to operations if sold, or written-off.

Mineral property cost includes any cash consideration and advance royalties paid, and the fair market value of shares issued, if any, on the acquisition of mineral property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property claim acquisition, option payments and direct exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews capitalized costs on its property interests on a periodic and annual basis for impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Administration and management fees earned, which generally range from 8% to 10% of the allowable expenditures associated with exploration on certain properties, are offset against the historical costs deferred on those properties. Administrative costs are expensed as incurred.

### **Asset Retirement Obligations**

The fair value of a liability for an asset retirement obligation is recognized on a discounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

the original estimate of the obligation. As at December 31, 2008, the Company does not have any significant asset retirement obligations. Subsequent to the year end, the Company filed a closure plan with the government of Ontario which created closure obligations on the Phoenix property, see note 20.

### **Foreign Currency Translation**

The Canadian dollar is the functional currency of all of the Company's operations which are classified as integrated for foreign currency translation purposes, and under this method translation gains or losses are included in the determination of net income or loss. Monetary assets and liabilities have been translated into Canadian dollars at the exchange rate in effect at balance sheet date. Non-Monetary assets, liabilities, revenues and expenses have been translated into Canadian dollars at the rate of exchange prevailing on the respective dates.

### **Comprehensive Income**

Comprehensive income is the change in equity (net assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The statement of comprehensive income or loss includes unrealized gains and losses for classifications of financial instruments, that do not require such gains and losses to be included in net income.

### **Financial Instruments**

The Company's financial instruments consist of cash, short term investments, amounts receivable, investments in shares of public companies, accounts payable and accrued liabilities and the assets and liabilities associated with options and warrants that are based on shares of companies other than Rubicon.

Cash equivalents, temporary investments, investments in shares of public companies and shares receivable of companies other than Rubicon have been classified as available-for-sale and are re-valued to market at each period end. Unrealized gains and losses on re-valuation are recorded to other comprehensive income. Upon realization, gains and losses are transferred to income.

Amounts receivable, are classified as loans and receivables and are carried at amortized cost. Accounts payable and accrued liabilities are classified as other liabilities and are carried at amortized cost. These instruments have fair values which approximate their cost due to their short-term nature.

The Company's investments in Paragon options, as well as vested option liabilities have been categorized as held-for-trading and as such are re-valued to fair value at each period end with all gains and losses on re-valuation recorded in income.

Equity accounted investments are not considered to be financial instruments.

### **Share Capital**

Common shares issued for non-monetary consideration are recorded at the fair market value based upon the lower of the trading price of the Company's shares on the Toronto Stock Exchange on the date of the agreement to issue the shares and the date of share issuance.

### **Stock-based Compensation**

All stock and stock option based awards made to employees and consultants are recognized in these consolidated financial statements and measured using a fair value based method.

# RUBICON MINERALS CORPORATION

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Consideration received on the exercise of stock options and compensation options and warrants is recorded as share capital. The related contributed surplus originally recognized when the options or warrants were earned, is transferred to share capital.

### **Income Taxes**

The Company accounts for tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. The Company has taken a valuation allowance against all such potential tax assets.

### **Flow-through Shares**

The Company follows the guidance of the CICA provided in Abstract #146 issued by its Emerging Issues Committee, which is effective for all flow-through share transactions initiated after March 19, 2004. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the related resource expenditures. When resource expenditures are renounced to the investors and the Company has

reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and shareholders' equity is reduced.

If the Company has sufficient unused tax loss carry-forwards to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these carry-forwards, a portion, of such unrecognized losses, is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures

### **Loss per share**

Loss per share has been calculated using the weighted-average number of common shares outstanding during each year. Diluted loss per share is not presented as it is anti-dilutive to the loss per share figures.

## 5. CHANGES IN ACCOUNTING POLICIES

### **Capital Disclosures**

Effective January 1, 2008, the Company adopted new CICA Handbook section 1535 which 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 (see note 6).

### **Financial Instruments - Disclosure and Presentation**

Effective January 1, 2008, the Company adopted new CICA Handbook sections 3862 and 3863 which replace CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*. These standards increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

# RUBICON MINERALS CORPORATION

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## 5. CHANGES IN ACCOUNTING POLICIES *(continued)*

### Canadian Pronouncements affecting Future Accounting Policies

The following pronouncements recently issued by the Canadian Institute of Chartered Accountants (“CICA”) will likely impact the Company’s future accounting policies:

#### (a) Goodwill and intangible assets

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. This standard is effective for fiscal years beginning January 1, 2009 with retrospective application.

#### (b) International Financial Reporting Standards (“IFRS”)

In February 2008 the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canadian generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company has commenced planning, training and analysis required for conversion but has not yet determined the effects of conversion.

## 6. CAPITAL MANAGEMENT

The Company’s objectives for the management of capital are to safeguard the Company’s ability to continue as a going concern including the preservation of capital and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its cash and short term investments to be its manageable capital. The Company’s policy is to maintain sufficient cash and investment balances to cover operating and exploration costs over a reasonable future period, generally two years. The Company accesses capital markets as necessary and may also acquire additional funds where advantageous circumstances arise.

Excess cash investments are restricted to securities issued by the federal or provincial governments of Canada. The Company currently has no externally imposed capital requirements.

# RUBICON MINERALS CORPORATION

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## 7. FINANCIAL INSTRUMENTS

The Company's financial instruments carrying amounts by categories are as follows:

	2008			2007		
	Available for sale at fair value	Held for trading at fair value	Loans and receivables/ other financial liabilities at amortized cost	Available for sale at fair value	Held for trading at fair value	Loans and receivables/ other financial liabilities at amortized cost
<b>Financial assets</b>						
Cash	\$ 18,753,749	\$ -	\$ -	\$14,791,309	\$ -	\$ -
Temporary Investments	4,011,587	-	-	15,082,513	-	-
Marketable Securities	73,380	-	-	-	-	-
Amounts receivable	-	-	193,461	-	-	1,708,000
Investment in companies spun-off – share rights	153,400	-	-	418,345	-	-
Investment in companies spun-off – option/warrant rights	-	-	-	-	21,284	-
Other investments	499,561	-	-	2,637,877	-	-
	<b>\$ 23,491,677</b>	<b>\$ -</b>	<b>\$ 193,461</b>	<b>\$32,930,044</b>	<b>\$ 21,284</b>	<b>\$ 1,708,000</b>
<b>Financial liabilities</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 793,393	\$ -	\$ -	\$ 811,130
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 793,393</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 811,130</b>

### Financial instrument risks

The Company's financial instruments are exposed to the following risks:

#### *Credit Risk*

The Company's primary exposure to credit risk is the risk of non-payment of cash equivalent and short-term investments amounting to \$22.8 million at December 31, 2008, in Canadian provincial and federal government treasury bills. As the Company's policy is to limit excess cash investments to Canadian federal and provincial government instruments, the credit risk is considered by management to be negligible.

The Company's credit risk exposure from amounts receivable at December 31, 2008, amounted to \$193,463. This balance includes amounts due and accrued from the Canadian government of \$169,637 for GST refunds and from joint venture partners for exploration managed by the Company on the Company's joint-ventured properties, in the amount of \$17,400. The Company has the right to request cash advances for all such work where the partners are considered a credit risk.

#### *Liquidity Risk*

The Company's only liquidity risk from financial instruments is its need to meet operating accounts payable requirements. The Company maintains sufficient cash balances to meet these needs.

# RUBICON MINERALS CORPORATION

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## 7. FINANCIAL INSTRUMENTS *(continued)*

### *Foreign Exchange Risk*

The Company's only foreign exchange risk from financial instruments is its exposure to US Dollar exchange rate changes on accounts payable arising from US exploration expenditures in Alaska and Nevada. Due to the short term nature of these liabilities, the risk is not considered material by management and no hedging is considered necessary. A reasonably possible change in US exchange rates, during the period would have had no material effect on net income or other comprehensive income.

### *Interest Rate Risk*

The Company is exposed to interest rate risk on its cash equivalent and temporary investments. The majority of these investments are in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases. Unrealized gains and losses are reported in other comprehensive income.

A difference in interest rates of 2.0%, on the December 31, 2008 balance of cash investments, over a year period, would result in a change to net income of approximately \$446,000.

### *Price Risk*

The Company is exposed to price risk on its portfolio of junior mining company shares which include significant investments in shares received from the spin out of assets previously held by the Company. Due to the volatility of this class of shares, the risk of value change is significant. The Company's policy to manage this risk is to liquidate sufficient shareholdings to cover cost outlays as soon as possible, market conditions permitting and thereafter liquidate the balance when market conditions are favourable. Unrealized gains and losses are reported in other comprehensive income.

The Company's "Investment in Companies Spun Off" largely consists of the right to receive the proceeds on exercise of Africo Resources Ltd. options granted to Rubicon personnel at the December 2006 plan of arrangement. Where these options expire or are forfeited, Rubicon will receive the underlying Africo shares at no cost. As such, this investment is exposed to the same price risk as an investment in Africo shares would. However, the maximum value to be received per option is the exercise price. No early liquidation of this asset is possible. Unrealized gains and losses on the Africo share value portion are reported in other comprehensive income.

Management considers the historical volatility of shares held to be an indicator of a reasonably possible change in value. If the market prices for all shares held by the Company and the Africo shares underlying the Africo share rights, as described above, at period end, had increased or decreased by the weighted average volatility of 97% annually, then there would have been an increase or decrease in other comprehensive income of approximately \$702,000.

## 8. TEMPORARY INVESTMENTS

Temporary investments consist of one treasury bill of the Ontario government maturing on February 23, 2009 with an aggregate carrying value and market value of \$4,011,587 at December 31, 2008 (\$15,082,513 – December 31, 2007) and effective interest rate of 1.693%. Market value is determined from broker quotations.

## 9. MARKETABLE SECURITIES

Marketable securities consist of investments in public company shares and had a carrying value and fair value of \$73,380 at year end. Market values were based on quoted prices in an active market. These investments were reclassified to marketable securities from other investments at year end upon the Company's determination that there was no longer an intention to hold for the long term.

# RUBICON MINERALS CORPORATION

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## 10. INVESTMENTS IN COMPANIES SPUN OFF

Investment in companies spun off consists of the net value of rights and obligations outstanding from options and warrants issued or revised under the December 2006 plan of arrangement. The December 31, 2008 carrying value and fair value of \$153,400 is entirely attributable to the right to receive the proceeds from any exercise of Africo options or the underlying Africo shares where options expire or are forfeited unexercised.

## 11. EQUIPMENT

	December 31 2008			December 31 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 137,425	\$ 66,002	\$ 71,423	\$ 76,771	\$ 49,266	\$ 27,505
Field Equipment	8,876	888	7,988	129,877	68,035	61,842
Furniture and fixtures	105,736	57,664	48,072	12,291	1,844	10,447
Leasehold Improvements	12,291	5,531	6,760	-	-	-
Software	113,294	70,422	42,872	96,944	38,952	57,992
	\$ 377,622	\$ 200,507	\$ 177,115	\$ 315,883	\$ 158,097	\$ 157,786

## 12. OTHER INVESTMENTS

Other investments are comprised of shares in public companies with aggregate carrying and market values of \$499,561 (December 31, 2007 - \$2,637,877). Market values were based on quoted prices in an active market. These shares were received as payments pursuant to mineral property option agreements and pursuant to prior year spin-out transactions.

During 2008, \$281,647 of unrealized losses on certain of these investments were transferred from other comprehensive income to income, under the caption "other losses and gains", as the Company considers the declines in value to be an impairment that is other than temporary.

At year end, the Company changed its intention to no longer hold certain of the investments for the long term and reclassified investments with fair value of \$73,380 to marketable securities.

## 13. MINERAL PROPERTY INTERESTS

The following is a summary of the Company's principal property interests, segregated by geographical location. It is not a comprehensive listing of all past or present property interests.

### CANADA

### ONTARIO

### RED LAKE MINING DIVISION

#### Phoenix Gold Project

Pursuant to the terms of two separate agreements in 2002, the Company acquired an aggregate of 16 patented claims, 25 licences of occupation, and one mineral lease.

#### Water Claims Agreement

The Company holds a 100% interest in the "Water Claims" portion of the Phoenix Gold Project (25 licences of occupation and one mineral lease). These claims are subject to a NSR royalty of 2%, for which advance royalties of US\$50,000 are due annually (to a maximum of US\$1,000,000 prior to commercial production).

# RUBICON MINERALS CORPORATION

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## 13. MINERAL PROPERTY INTERESTS *(continued)*

The Company has the option to acquire a 0.5% NSR royalty for US\$675,000 at any time. Upon a positive production decision the Company would be required to make an additional advance royalty payment of US\$675,000, which would be deductible from commercial production royalties as well as amounts paid pursuant to the maximum US\$1,000,000 in advance royalty payments described above.

### **Land Claims Agreement**

The Company holds a 100% interest in the "Land Claims" portion of the Phoenix Gold Project (16 patented claims). These claims are subject to a sliding NSR royalty of 2-3%, for which advance royalties of Cdn\$75,000 are due annually (to a maximum of Cdn\$1,500,000 prior to commercial production). The Company has the option to acquire a 0.5% NSR royalty for Cdn\$1,000,000 at any time. Upon a positive production decision the Company would be required to make an additional advance royalty payment of Cdn\$1,000,000, which would be deductible from commercial production royalties as well as amounts paid pursuant to the maximum Cdn\$1,500,000 in advance royalty payments described above.

### **Other Red Lake Properties**

#### **Sidace Lake and Red Lake North Properties**

The Sidace Lake and Red Lake North Properties are comprised of 45 unpatented claims (319 units) in the Black Bear Lake, Coli Lake and Sobeski Lake areas. The Sidace Lake area claims are subject to a sliding scale NSR of 2.0% to 2.5% depending on the price of gold.

#### **Option Agreement with Solitaire Minerals Corporation ("Solitaire")**

During 2006, the Company optioned a 55% interest in 45 unpatented mining claims (319 units) (staked claims, and portions of the Coli Lake Agreement, Red Lake East Agreement and East Bay Agreement) in the Black Bear Lake, Coli Lake and Sobeski lake areas known as the Red Lake North Project to Solitaire. Under the terms of the letter agreement dated April 18, 2006 (effective date of the Agreement is May 1, 2006), Solitaire must incur \$2,500,000 over 4 years, make an initial cash payment of \$5,000 (completed) and issue to the Company 50,000 shares of Solitaire (completed) to earn a 55% interest in the property. The claims are subject to a sliding scale NSR ranging from 1.75% to 2.5% depending on the price of gold.

### **Adams Lake Property**

The Company holds a 100% interest in 34 unpatented claims (224 units) in the Balmer and Bateman townships. The property is subject to a sliding scale NSR of 1.75% to 2.0% depending on the price of gold.

### **DMC Properties**

#### **Meunier Property**

The Company holds a 100% interest in 118 unpatented claims (222 units). The property is subject to NSR royalty of 2.5% on 38 claims (the Company can purchase a 1.5% NSR royalty for \$1.5 million), a 2% NSR royalty on 54 claims (the Company can purchase a 1% NSR royalty for \$1.0 million), and a 1% NSR royalty on 27 claims. Annual advance royalty payments of \$25,000 are due by April 15th of each year.

#### **Red Lake West Property**

The Company holds a 100% interest in 16 unpatented claims (90 units) in Dome and McDonough townships. The property is subject to a sliding scale NSR royalty of 1.75% to 2.0% depending on the price of gold.

# **RUBICON MINERALS CORPORATION**

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## **13. MINERAL PROPERTY INTERESTS** *(continued)*

### **Red Lake East Property**

The Company holds a 100% interest in 95 unpatented claims (454 units) in the McDonough, Balmer and Bateman townships. The property is subject to a sliding scale NSR royalty of 1.75% to 2.0% depending on the price of gold.

#### **DMC Option**

During 2005, the Company signed a letter agreement with Agnico-Eagle Mines Ltd. ("Agnico-Eagle") whereby Agnico-Eagle had the right to earn a 51% interest in the DMC properties totaling 130 claims. During 2008, Agnico-Eagle terminated its option with the Company.

### **Slate Bay Property**

The Company holds a 100% interest in 28 unpatented claims (146 units) located in the McDonough and Dome townships. The property is subject to a sliding scale NSR royalty of 1.75% to 2.0% depending on the price of gold.

### **Humlin Property**

The Company holds a 100% interest in 19 unpatented mining claims (216 units) located in Fairlie Township. The property is subject to a sliding scale NSR of 1.75% to 2.0% depending on the price of gold.

#### **Humlin Option**

During 2006, the Company optioned a 55% interest in the Humlin Project to Solitaire. During 2008, Solitaire terminated its option with the Company.

### **Hammell Lake Property**

The Company holds a 100% interest in the three unpatented mining claims

### **East Bay - Herbert Option**

The Company holds a 100% interest in 23 unpatented claims (42 units) located in the Bateman and Blackbear townships. The property is subject to a 2% NSR royalty, of which the Company may purchase 50% for \$1.0 million.

### **East Bay - Sargeant Property**

The Company holds a 100% interest in 2 unpatented claims (2 units) located in the Blackbear township. The property is subject to a 2% NSR royalty of which the Company may purchase 50% for \$750,000.

### **McCuaig JV Property**

The Company holds a 60% interest in 3 unpatented claims (10 units) in Dome Township. The property is subject to a 1% NSR royalty. The Company may, with its joint venture partner, purchase 50% of the NSR royalty for \$200,000 and also retains a right of first refusal on the remaining NSR royalty.

### **West End Red Lake Properties**

#### **Pipestone North Property**

The Company holds a 50% interest in the 4 unpatented mining claims (15 units).

# RUBICON MINERALS CORPORATION

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## 13. MINERAL PROPERTY INTERESTS *(continued)*

### **Pipestone East Property**

The Company holds a 100% interest in 5 unpatented mining claims (5 units).

### **Pipestone South Property**

The Company holds a 100% interest in 15 unpatented mining claims (59 units).

### **Wolf Bay Property**

The Company holds a 50% interest in 18 unpatented mining claims (103 units).

### **Option Agreement with Halo Resources Ltd. (“Halo”)**

During 2008, the Company optioned a 60% interest in 23 unpatented mining claims (87 units) in the Red Lake Area to Halo. Under the terms of the letter agreement, Halo must incur \$1 million of exploration expenditures on the property over 4 years and make options payment to the Company amounting to \$120,000 over 4 years. Halo would then have the right to earn an additional 15% by funding a bankable feasibility study.

### **West End Red Lake Option**

During 2002, the Company granted Redstar Resources Ltd. (“Redstar”) an option to earn a 70% interest in the West End Red Lake. Redstar terminated its option with the Company during 2007.

### **Manitou Property**

During 2007, the Company returned the Manitou property to the vendor and wrote off costs of \$231,831 incurred to that time.

### **English Royalty Division (“ERD”)**

The Company holds ownership or royalty interests in 60 properties (2007 – 63, 2006 – 49) designated as the English Royalty Division. These properties included in the ERD are not explored by the Company but are held for the purpose of earning option and possible royalty income and deriving potential increases in value from successful exploration by optionees. The Company continues to add properties to the ERD with new option agreements and drop properties that it is unable to option after reasonable efforts.

During 2008, the Company recorded cash and share receipts (before costs) of \$712,523 (2007 – \$885,500; 2006 – 377,321) from ERD options. As the Company has now recovered all costs of acquisition and maintenance of these properties they are carried at \$nil.

## **ALASKA, USA**

### **Alaska Properties**

Pursuant to the McEwen Agreement which closed on May 18, 2007, the Company acquired 100% of the outstanding shares of McEwen Capital Corp. (renamed Rubicon Alaska Holdings Inc. and hereinafter referred to as “RAH Inc.”). The results of RAH Inc.’s operations have been included in the consolidated financial statements since February 24, 2007, the date of the Letter of Intent and the date the Company commenced financing the operations of the acquisition. The aggregate purchase price was \$22 million consisting of 31,428,571 common shares of the Company at a deemed price of \$0.70 per share. The share value was determined based on the average closing price of the Company’s shares on the TSX on the

# RUBICON MINERALS CORPORATION

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## 13. MINERAL PROPERTY INTERESTS (continued)

5 days prior to date of the Letter of Intent. In addition, the Company incurred \$426,387 in acquisition costs which were capitalized with the purchase.

The following table summarizes the assets acquired and liabilities assumed on the date of the acquisition:

Mineral properties	\$ 37,155,461
Future income tax liability	(14,729,074)
Total cost	\$ 22,426,387
Consisting of:	
Common shares issued at \$0.70	\$ 22,000,000
Other acquisition costs	426,387
Total cost	\$ 22,426,387

The sole assets of RAH Inc. consisted of two mineral claim groups in the Goodpaster Mining District of Alaska. At the date of the acquisition, RAH Inc. had tax deductible mineral pools of only approximately \$1.2 million and therefore the Company recorded a future tax liability of \$14,729,074 inherent in the purchase.

The two claim groups are further described as follows:

### New Horizon Claims

Pursuant to the McEwen Agreement, the Company acquired a 100% interest in the New Horizon Claims covering approximately 330,000 acres in the Goodpaster Mining District of Alaska. These claims had been previously acquired by RAH Inc. through staking. During 2008, the area held was reduced to 195,280 acres.

### Rimfire Option Properties

Pursuant to the McEwen Agreement, the Company acquired an option granted by Rimfire Minerals Corporation ("Rimfire") to acquire up to a 70% interest, subject to underlying royalties, in certain mineral claims, covering approximately 185,520 acres, in the Goodpaster Mining District of Alaska. Pursuant to the terms of this option agreement, the Company can earn a 60% interest in the property by expending US\$4.8 million on the property over a five and half year period as follows (including expenditures made prior to the acquisition):

- (a) US \$750,000 before November 27, 2007 (incurred);
- (b) an aggregate of US \$1,500,000 on or before November 27, 2008 (incurred);
- (c) an aggregate of US \$2,250,000 on or before November 27, 2009;
- (d) an aggregate of US \$3,000,000 on or before November 27, 2010;
- (e) an aggregate of US \$3,800,000 on or before November 27, 2011; and
- (f) an aggregate of US \$4,800,000 on or before November 27, 2012.

The Company may earn a further 10% interest by completing a feasibility study and at Rimfire's election, may obtain an additional 5% interest by providing a project financing loan repayable from Rimfire's cash flows from production.

All commitments under the McEwen agreement for exploration expenditures on the Alaska properties were completed in the year. As further described at note 18 there are no further commitments under this agreement.

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## 13 MINERAL PROPERTY INTERESTS (continued)

### NEVADA-UTAH, USA

Nevada – Utah Properties

Pursuant to the McEwen Agreement, the Company acquired mineral rights on an approximate 225,000 acre land package, predominantly in Elko County, Nevada and extending into Box Elder County Utah for 8,571,429 common shares of the Company, valued at \$0.70 per share for total consideration of \$6 million. In addition the Company incurred \$106,182 of acquisition costs which were capitalized with the acquisition. The majority of the mineral rights are 100% owned subject to certain royalty interests.

All commitments under the McEwen agreement for exploration expenditures on the Nevada properties were completed in the year – see note 17.

## 14. SHARE CAPITAL

a) Authorized share capital consists of unlimited common shares without par value.

	2008		2007		2006	
	Number of Shares	\$	Number of Shares	\$	Number of Shares	\$
Balance, beginning of year	147,871,501	103,572,229	76,810,525	47,991,901	66,179,524	45,610,692
Private placements (1),(2),(5)	8,166,670	9,460,640	26,265,462	24,165,197	7,640,560	10,431,265
Mineral properties	-	-	40,000,000	28,000,000	101,000	130,720
Stock options exercised (3)	113,700	155,349	1,547,374	1,476,765	760,628	1,114,599
Warrants exercised	-	-	3,152,792	1,451,905	2,128,813	1,779,452
Spin-off of companies	-	-	-	-	-	(10,597,427)
Flow-through renunciation (4)	-	(3,275,789)	-	-	-	(477,400)
Agent Commissions	-	-	393,262	700,006	-	-
Shares returned	-	-	(297,914)	(213,545)	-	-
Balance, end of year	156,151,871	109,912,429	147,871,501	103,572,229	76,810,525	47,991,901

(1) 4,870,370 (2007 - 4,651,200) shares were issued under flow-through share purchase agreements.

(2) Proceeds are net of share issue costs of \$740,289 (2007 - \$1,234,128).

(3) Inclusive of the original \$57,750 (2007 - \$377,399) fair value of these options re-allocated from contributed surplus to share capital on exercise.

(4) On February 28, 2008 the Company renounced \$10.4 million in exploration expenditures to flow-through share investors and recorded the tax effect as a \$3,275,789 reduction in share capital and increase in future tax liability. The Company offset the increase in its future tax liability against previously unrecognized future tax assets, resulting in a recovery of future income tax of \$3,275,789.

(5) On November 18, 2008 the Company closed a \$10,200,930 private placement financing and issued 4,870,370 flow-through shares at \$1.35 per share and 3,296,300 common shares at \$1.10 per share.

(6) See note 20 for details of the March 5, 2009 financing subsequent to the year end

b) Stock Options

The Corporation has an incentive stock option plan authorizing the Company to issue up to 8.5% of the number of issued and outstanding shares as incentive stock options to directors, officers, employees and consultants of the Company (up to 13,272,909 options at December 31, 2008). No specific vesting terms are required. The term of each grant shall be no greater than 10 years from the date of grant. The option price shall be no less than the fair market value of the Company's shares on the date of the grant.

# RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2008, 2007 and 2006

(Stated in Canadian Dollars)

## 14. SHARE CAPITAL (continued)

The following is a summary of the changes in the Company's outstanding stock options.

	2008		2007		2006	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
		\$		\$		\$
Balance at beginning of year	3,328,250	0.87	3,798,748	0.73	4,815,000	1.10
Granted	1,617,500	1.03	1,260,000	1.09	40,000	1.70
Exercised	(113,700)	0.86	(1,547,374)	0.71	(760,628)	1.07
Expired/Cancelled	(98,750)	1.10	(183,124)	0.86	(295,624)	1.22
Outstanding at end of year (1)	4,733,300	0.93	3,328,250	0.87	3,798,748	0.73
Exercisable at end of year	3,965,800	0.91	2,600,750	0.77	3,232,606	0.72

(1) At December 31, 2008, the weighted-average remaining contractual life of stock options outstanding is 2.60 years (2007 year end – 2.91).

The fair value of stock options included in the expense figures, has been estimated using the Black-Scholes Option Pricing Model based on the following weighted average assumptions:

	2008	2007	2006
Risk-free interest rate (%)	3.67%	4.13%	4.27%
Expected life (years)	5 years	5 years	5 years
Expected volatility (%)	64%	64%	50%
Expected dividend yield (%)	0%	0%	0%

The weighted average grant-date fair value of options granted during 2008 was \$0.59 (2007 - \$0.63).

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

# RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2008, 2007 and 2006

(Stated in Canadian Dollars)

## 14. SHARE CAPITAL (continued)

c) Summary of stock options and warrants outstanding:

December 31, 2008			
Type of Issue	Number Outstanding	Weighted Average Price	Weighted Average Life
Stock Options		\$	Years
	100,000	0.44	1.67
	150,000	0.48	1.70
	200,000	0.56	1.95
	795,000	0.74	3.04
	20,000	0.76	4.81
	1,278,300	0.77	1.03
	130,000	0.79	1.00
	180,000	0.96	0.07
	1,490,000	1.04	4.10
	25,000	1.31	4.42
	20,000	1.46	4.36
	95,000	1.68	3.67
	150,000	1.90	3.50
	100,000	2.55	3.29
Total Stock Options	4,733,300	1.10	2.60

December 31, 2008			
Type of Issue	Number Outstanding	Weighted Average Price	Weighted Average Life
Warrants (1)		\$	Years
Total Warrants	10,714,271	1.50	0.38

(1) There were no exercises or new issues of warrants since the 10,714,271 outstanding warrants were issued in 2007.

d) Summary of changes in contributed surplus:

	2008	2007	2006
Balance at beginning of year	\$ 3,082,261	\$ 2,547,075	\$ 2,623,780
Stock-based compensation – administration	761,890	576,606	220,964
Stock-based compensation – mineral property costs	209,941	335,979	22,062
Stock-based compensation - options granted by Africo/Paragon	16,591	-	(22,417)
Fair value of stock options allocated to shares issued on exercise	(57,750)	(377,399)	(297,314)
Balance at end of year	\$ 4,012,933	\$ 3,082,261	\$ 2,547,075

# RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2008, 2007 and 2006

(Stated in Canadian Dollars)

## 15. ACCUMULATED OTHER COMPREHENSIVE INCOME

	2008	2007
Accumulated other comprehensive income, January 1	\$ 549,606	\$ -
Adjustments to opening balance on first adoption:		
Unrealized gains on investments in public company shares	-	208,553
Accumulated other comprehensive income, January 1, adjusted	549,606	208,553
Other comprehensive income (loss) for the year	(1,878,747)	341,053
Accumulated other comprehensive income (loss), December 31	\$ (1,329,141)	\$ 549,606
Components of accumulated other comprehensive income (loss), December 31		
Unrealized gains (losses) on temporary investments	\$ 5,169	\$ (19,852)
Unrealized gains (losses) on other investments (public company shares)	(571,890)	993,058
Unrealized losses on investment in companies spun-off	(762,420)	(423,600)
	\$ (1,329,141)	\$ 549,606

## 16. INCOME TAXES

Current income tax payable in the amount of \$22,603 (2007 - \$74,000) represents an estimated current liability of the Company's wholly-owned subsidiary, 1304850 Ontario Inc.

A reconciliation of income taxes at statutory rates is as follows:

	2008	2007	2006
	\$	\$	\$
Net loss for the year, before taxes	(2,759,765)	(2,232,941)	(4,113,320)
Expected income tax recovery	(841,728)	(761,879)	(1,292,438)
Net adjustment for current, deductible and non-deductible amounts	47,922	196,737	146,055
(Recognized) and unrecognized benefit of future tax assets	(2,460,400)	548,582	820,983
Income tax recoveries, net	(3,254,206)	(16,560)	(325,400)

The significant components of the Company's future income tax assets are as follows:

	2008	2007
	\$	\$
Future income tax (liabilities) assets:		
Net mineral property carrying amounts in excess of tax pools	(19,591,071)	(16,123,332)
Equipment and intangible tax pools in excess of carrying value	338,020	36,467
Investment tax base in excess of cost	210,080	-
Share issue pool	387,853	-
Tax loss carry-forwards	4,346,019	3,785,271
	(14,309,099)	(12,301,594)
Valuation allowance	(464,170)	(2,472,694)
Net future tax liabilities	(14,773,269)	(14,774,288)

# RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements  
December 31, 2008, 2007 and 2006  
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## 16. INCOME TAXES *(Continued)*

The Company has non-capital losses of approximately \$13.3 million (2007 - \$12 million, 2006 - \$11 million), which are available to reduce future taxable income and which expire between 2009 and 2028. Subject to certain restrictions the Company also has mineral property expenditures of approximately \$30.0 million (2007 - \$11 million, 2006 - \$11 million) available to reduce taxable income in future years.

## 17. RELATED PARTY TRANSACTIONS

For the twelve months ended December 31, 2008, the Company paid legal fees to a law firm, of which a partner is a director of the Company, aggregating to \$198,442 (2007 - \$913,422; 2006 - \$850,890 ). The fees are recorded within professional expenses, McEwen financing costs, mineral property acquisition costs, investments and share issue costs in these financial statements. As at December 31, 2008, this law firm is owed \$19,500 (2007 - \$nil; 2006 - \$10,000). All these transactions were recorded at their fair value amounts and were incurred in the normal course of business.

Paragon Minerals Corporation ("Paragon") is the spin-off company that acquired Rubicon's Newfoundland mineral properties under the December 2006 plan of arrangement. Paragon has one common director, shared offices and office expenses with Rubicon up to June 2008 and shared the CFO and office support staff. In addition, the CEO of Paragon provided management services to Rubicon on a part time basis up until December 31, 2007. On June 12, 2008, the Rubicon CFO ceased providing CFO services to Paragon and from that date Paragon ceased to be a related party of the Company. As at December 31, 2008, Paragon owed the Company \$nil (2007 - \$69,475). All transactions were recorded at their fair value amounts and were incurred in the normal course of business.

## 18. COMMITMENTS

- a) Pursuant to the McEwen agreement of May 2007, the Company became committed to spend \$5 million on exploration on its Red Lake properties by May 18, 2008 (increased to \$5.5 million during 2008), \$5 million on its Alaska properties by May 18, 2009 (decreased to \$4.5 million during 2008) and \$500,000 on its Nevada properties by May 18, 2008. All exploration commitments from the McEwen agreement were completed during 2008 and there are no future commitments outstanding from that agreement.
- b) At December 31, 2008, the Company has \$144,295 (December 31, 2007 - \$284,095) in remaining lease payments for the use of its Vancouver office to September, 2010.
- c) At December 31, 2008, the Company is committed to incur \$5,730,041 (December 31, 2007 - \$9,984,996) in eligible exploration expenditures in order to complete obligations entered into pursuant to flow-through share purchase agreements.
- d) The Company is required to make certain cash payments and incur exploration costs to maintain its mineral properties in good standing. These payments and costs are at the Company's discretion and are based upon available financial resources and the exploration merits of the mineral properties which are evaluated on a periodic basis.

## 19. SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

During the twelve months ended December 31, 2008, the Company received common shares of other companies valued at \$183,340 (2007 - \$11,722) pursuant to the terms of property and joint venture agreements. The Company has excluded from its investing cash flows \$267,830 (2007 - \$814,882) in accounts payable relating to mineral property costs. Other non-cash investments included \$209,940 (2007 - \$89,688) recorded in property expenditures for stock based compensation awarded to personnel working on mineral properties.

# RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2008, 2007 and 2006

(Stated in Canadian Dollars)

## 19. SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES (Continued)

	2008	2007	2006
During the year, the Company paid and received interest as follows:			
Interest received	\$ 689,250	\$ 794,476	\$ 274,742
Interest paid	\$ 22,351	\$ 744	\$ 10,949

## 20. SUBSEQUENT EVENTS

On January 2, 2009, the Company granted 2,585,000 incentive stock options to employees, directors and contractors at an exercise price equal to the market value on issue of \$1.31 with an expiry term of 5 years.

On February 27, 2009, the Ontario Ministry of Northern Development and Mines accepted for filing the Company's closure plan on its Phoenix project. Upon filing, the Company became obligated to rehabilitate the Phoenix project site upon closure of the project at an independently estimated cost of \$493,000. A cash bond in the same amount was posted upon acceptance.

On March 5, 2009, the Company closed a private placement of 25,000,000 common shares at an issue price of \$1.60 per common share for gross proceeds of \$40,000,000. A cash commission of 5.5% of gross proceeds was paid to the underwriters.

Subsequent to the year end, 234,500 incentive stock options were exercised for proceeds of \$232,855 and 89,286 warrants were exercised for proceeds of \$133,929.

## 21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Material variations in the accounting principles, practices and methods used in preparing these financial statements from principles, practices and methods accepted in the United States ("U.S. GAAP"), and that impact financial statement line items, are described below.

### a) Mineral property interests and deferred exploration costs

Under Canadian GAAP, costs to maintain property rights (including property options) and related exploration costs incurred on those properties may be deferred and subsequently carried at cost prior to a Company having obtained the necessary data to complete a positive feasibility study, including the preparation of a cash flow projection in respect to the recoverability of those costs. Accordingly, while the Company's projects remain at a pre-feasibility stage of development, management has elected under Canadian GAAP to defer all maintenance and exploration costs incurred on them until a property is abandoned, sold, or upon management determining there to be an impairment in value. Under U.S. GAAP, prior to the point in time that a positive feasibility report has been completed in respect to a property, such costs must be expensed as incurred.

# RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2008, 2007 and 2006

(Stated in Canadian Dollars)

## 21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) *(continued)*

### b) **Flow-through shares**

Under Canadian income tax legislation, the Company is permitted to issue shares whereby the Company agrees to incur qualifying expenditures (as defined under the Canadian Income Tax Act) and renounce the related income tax deductions to the investors. Under Canadian GAAP, flow-through shares are accounted for as part of the issuance of capital stock at the price paid for the shares, net of any future income tax liability ("FIT"). Under US GAAP, SFAS 109, "Accounting for Income Taxes" (SFAS109), the proceeds should be allocated between the offering of the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognized initially for the premium paid by the investors.

For US GAAP purposes, the difference between the future income tax liability on renunciation and the premium is recorded as a future income tax expense. For US GAAP purposes the Company does not have temporary differences as a result of the requirement that all such costs related to mineral properties generally be expensed as described in (a) above; therefore all future income taxes related to renouncements for Canadian GAAP are reversed through the statements of operations for US GAAP purposes.

The reconciling items disclosed herein are in respect to both the recognition of the tax benefit sale under U.S. GAAP and to the reversal of the required Canadian GAAP treatment of flow-through share issuances and renunciations.

### c) **Investment in companies spun-off**

Under US GAAP certain elements of the warrants and options spun off pursuant to the POA transaction described in Note 2 would be accounted for differently from their treatment in these financial statements. Specifically the Company would generally be required to present all assets acquired and liabilities assumed at their gross amounts, with no right of offset. A significant liability would be recorded in respect to obligations related to transferred share purchase warrants, an amount included in equity under Canadian GAAP. This liability was extinguished during 2007 as all warrants were exercised. Further, the Company would also record certain items in Operations and Other Comprehensive Income under US GAAP relating to certain fair value adjustments required to be made at December 31, 2006.

### d) **Other investments**

Since January 1, 2007, there has been no difference in accounting for changes in value of other investments which consists of the shares of public companies. Under both, the Companies application of CICA Standard 3855 and US SFAS 115, these investments, held by the Company, are considered to be "available for sale securities" and are required to be reported at fair value, with any unrealized holding gains and losses included in current Other Comprehensive Income, a component of Shareholders' Equity. Prior to January 1, 2007, under Canadian GAAP, no write-down to market values was required if an investment was considered by management to be held for the long-term, unless there had been an other-than-temporary decline in the value of that investment.

# RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

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## 21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)

The impact of these differences in respect to these financial statements is quantified below as they apply to financial statement line items

Balance Sheets	Note reference	2008	2007	2006
		\$	\$	\$
Investments - companies spun off - Canadian GAAP		153,400	439,629	2,147,933
Net fair value and related adjustments	(c)	-	118,675	1,212,538
Investment in companies spun off - US GAAP		153,400	558,304	3,360,471
Other investments - Canadian GAAP		499,561	2,637,877	1,435,227
Mark-to-market adjustment	(d)	-	-	512,998
Other investments - US GAAP		499,561	2,637,877	1,948,225
Mineral property costs - Canadian GAAP		82,862,073	66,157,058	15,712,278
Mineral property costs expensed under US GAAP	(a)	(39,485,446)	(22,780,431)	(15,712,278)
Mineral property costs - US GAAP		43,376,627	43,376,627	-
Other liabilities - Canadian GAAP		-	-	-
Aggregate liabilities assumed on spin-off transaction	(c)	13,753	270,619	3,157,297
Other liabilities - US GAAP		13,753	270,619	3,157,297
Flow-through share tax liability – Canadian GAAP		-	-	-
Future tax related to premium on flow-through financing	(b)	1,217,593	1,789,652	-
Flow-through share tax liability – US GAAP		1,217,593	1,789,652	-
Share capital - Canadian GAAP		109,912,429	103,572,229	47,991,901
Previous years' amounts included in income under US GAAP		-	-	(102,158)
Deferred tax benefit included in income under US GAAP	(d)	-	-	-
Adjustment to reverse entry for spin-off of Paragon assets	(a)	6,979,704	6,979,704	6,979,704
Adjustment to reclassify spin-off amounts as liabilities	(c)	-	-	(2,290,988)
Future tax related to premium on flow-through financing	(b)	(1,217,593)	(1,789,652)	-
Adjustment to reinstate Canadian GAAP FIT recovery to share capital	(b)	(3,275,789)	-	477,400
Share capital – US GAAP		112,398,751	108,762,281	53,055,859
Contributed surplus - Canadian GAAP		4,012,933	3,082,261	2,547,075
Adjustment to reclassify a spin-off related amount	(c)	-	-	(309)
Contributed surplus - US GAAP		4,012,933	3,082,261	2,546,766

# RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

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## 21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)

<b>Balance Sheets (continued)</b>	Note reference	2008	2007	2006
		\$	\$	\$
Opening deficit - Canadian GAAP		21,845,844	19,629,463	15,841,543
Net historical adjustments - US GAAP	(a)	<u>30,030,757</u>	<u>23,016,331</u>	<u>22,859,486</u>
Opening deficit - US GAAP		<u>51,876,601</u>	<u>42,645,794</u>	<u>38,701,029</u>
Accumulated other comprehensive income – Canadian GAAP		(1,329,141)	549,606	-
Adjustment to reflect net fair value measurements at each year end.	(c), (d)	<u>-</u>	<u>(89,373)</u>	<u>307,977</u>
Accumulated other comprehensive income - US GAAP		<u>(1,329,141)</u>	<u>460,233</u>	<u>307,977</u>
<hr/>				
<b>Operations Statements</b>	Note reference	2008	2007	2006
		\$	\$	\$
Other miscellaneous income - Canadian GAAP		132,798	941,330	355,300
Adjustment to fair value certain spin-off related items	(c)	<u>-</u>	<u>-</u>	<u>498,427</u>
Other miscellaneous income - US GAAP		<u>132,798</u>	<u>941,330</u>	<u>853,727</u>
FIT recovery - Canadian GAAP		3,066,702	23,560	477,400
Adjustment to reinstate Canadian FIT recovery to share capital	(b)	<u>(3,275,789)</u>	<u>-</u>	<u>(477,400)</u>
FIT (expensed) recovery under US GAAP		<u>(209,087)</u>	<u>23,560</u>	<u>-</u>
Stock-based compensation expense - Canadian GAAP		659,806	576,605	220,964
Adjustment to fair value certain spin-off related items	(c)	<u>(256,869)</u>	<u>151,944</u>	<u>(53,132)</u>
Stock-based compensation expense - US GAAP		<u>402,937</u>	<u>728,549</u>	<u>167,832</u>
Mineral property costs written off - Canadian GAAP		-	224,695	258,823
Under US GAAP such expenses not initially capitalized	(a)	<u>-</u>	<u>(224,695)</u>	<u>(258,823)</u>
Mineral property costs written off under US GAAP		<u>-</u>	<u>-</u>	<u>-</u>
Gain on disposition of Toquima under Canadian GAAP		-	-	142,223
Amount considered a cost recovery under US GAAP	(a)	<u>-</u>	<u>-</u>	<u>(142,223)</u>
Gain on disposition of Toquima under US GAAP		<u>-</u>	<u>-</u>	<u>-</u>
Mineral property costs expensed - Canadian GAAP		232,932	189,027	236,278
Under Canadian GAAP policy such costs initially deferred	(a)	<u>16,705,015</u>	<u>7,068,153</u>	<u>(153,062)</u>
Net mineral property costs expensed – US GAAP		<u>16,937,947</u>	<u>7,257,180</u>	<u>83,216</u>

# RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2008, 2007 and 2006

(Stated in Canadian Dollars)

## 21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) *(continued)*

The following is comparative disclosure of the application of US GAAP as described above to certain other line items in these consolidated financial statements:

	2008		2007		2006	
	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP
	\$	\$	\$	\$	\$	\$
Total assets	106,834,083	67,348,637	101,017,670	78,355,914	31,885,579	17,898,837
Total liabilities	15,589,265	16,820,611	15,659,418	17,719,689	976,066	4,133,363
Total shareholders' equity	91,244,818	50,528,027	85,358,252	60,636,225	30,909,513	13,765,474
Net income (loss)	494,441	12,677,916	(2,216,381)	(9,022,756)	(3,787,920)	(3,444,099)
Income (loss) per share	0.00	(.09)	(0.02)	(0.08)	(0.05)	(0.05)
Net cash flows to operating activities	1,253,264	17,958,278	1,534,976	8,603,129	3,324,531	4,391,498
Net cash flows to investing activities	4,342,536	12,362,478	18,110,324	11,042,170	5,280,294	1,618,776
Net cash flows from financing activities	9,558,240	9,558,240	27,202,929	27,202,929	13,028,002	10,433,451



RUBICON

**RUBICON MINERALS CORPORATION**

**Management's Discussion & Analysis**

**For the Year Ended December 31, 2008**

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## **INTRODUCTION**

This Management Discussion and Analysis (“MD&A”) dated March 31, 2009 includes financial information from, and should be read in conjunction with, the audited consolidated financial statements for the fiscal year ended December 31, 2008. Please refer to the cautionary notices at the end of this MD&A, especially in regard to forward looking statements. Rubicon Minerals Corporation (the “Company”) reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles (“GAAP”) in Canadian dollars.

Rubicon Minerals Corporation is a Canadian based mineral exploration-stage company that explores for commercially viable gold and base metal deposits. In addition, the Company selectively invests in other mineral exploration and resource companies which the Company deems to be of merit.

The Company’s key assets are in the Red Lake gold camp, in the Province of Ontario. In addition, the Company has acquired significant land packages in Alaska, USA and Nevada, USA. The Company does not have any assets or mineral properties that are in production or that contain a reserve.

The Company is a reporting issuer in the provinces of British Columbia, Alberta, Ontario and Quebec in Canada as well as with the SEC in the United States. The Company’s common shares trade on the TSX in Canada under the symbol ‘RMX’ and on the NYSE Amex Exchange in the United States under the symbol ‘RBY’.

## **GENERAL HIGHLIGHTS**

The highlight of 2008 has been the discovery in March, 2008 of the F2 Gold Zone at the Company’s Phoenix Gold Project. Since that date, the Company has released a steady stream of drill results from over 37,000 metres of drilling, which display both high gold grades and significant widths. With a treasury of over \$28 million in February, the Company was able to embark on an aggressive drill program through the year completing over 48,000 metres on the Phoenix property. The F2 Gold Zone is a focus for the Company and, during 2008 it announced plans, and subsequently received all required permits, to carry out an advanced exploration program designed to drill the F2 Gold Zone from underground. Recent drilling has continued to expand the gold zone which remains open along strike and at depth.

Late in the year, prices for junior mining stocks collapsed causing severe difficulty for many companies in the sector. Nonetheless, due to the F2 Gold Zone discovery, the Company was able to close a \$10.2 million common share and flow-through share financing in November, 2008 at \$1.10 per common share and \$1.30 per flow-through share. In March of 2009, on the heels of further good drill results, the Company raised another \$40 million dollars in a bought deal private placement priced at \$1.60 per share.

The credit crisis reduced the Company’s ongoing cash investment returns and caused some write-downs in share investments but neither effect will have a significant impact on the Company’s exploration plans.

## **EXPLORATION HIGHLIGHTS**

### **Red Lake Exploration**

#### **100% Controlled Projects**

##### **Phoenix Gold Project**

Rubicon holds a 100% interest in the Phoenix Gold Project held as 25 Licenses of Occupation, one Mining Lease, and 16 Patented Claims that cover approximately 505.43 contiguous hectares, subject to paying certain advance annual royalty payments and a net smelter royalty on any future production from the property. The Phoenix Gold Project is underlain by a NNE-trending, west-dipping belt of deformed and intermixed metasediments, basaltic volcanics and ultramafic rocks which define the “East Bay Trend”. The rocks are Archean in age and part of the Balmer Sequence. A strong NNE trending structural fabric through the area, which is considered part of the East Bay Deformation Zone (EBDZ) is variably affected by later, NW-SE trending cross cutting regional structures.

##### **2008 Exploration**

***Drilling***

As of December 31, 2008, the Company has drilled a total of 48,471 metres, during the year, on the Phoenix property. The majority of this drilling was focused on the newly discovered “F2 Gold Zone” announced March 12, 2008.

Mineralization within the F2 Zone occurs near a major ultramafic-mafic structural setting which is considered analogous to major deposits in the Red Lake gold district. The F2 Zone is currently drilled to 1101 metres below surface and remains open at depth. The zone is located approximately 450 metres south east of the existing exploration shaft (142 metre-deep, currently being dewatered) from which it is planned to facilitate underground access to more effectively drill the F2 Gold Zone. Gold in the F2 Zone is best developed within mafic volcanics as multiple and complex quartz veins, breccias and silica replacement zones that typically contain visible gold and trace to 3% sulphides. Results to date indicate that sub-parallel, high-grade gold lenses or shoots are developed within a robust gold-bearing structure that also hosts thick, lower grade intervals. The overall mineralized envelope suggests a steep plunge to the northwest. These interpretations are preliminary in nature and relationships between the various styles of mineralization are complex. Additional drilling is required to gain a better understanding of gold distribution, geometry and controls on mineralization within the F2 Zone.

Since discovering the F2 zone in late February, 2008, significant gold mineralization has now been intersected over a vertical distance of 3,612 feet (1,101 metres) and over an interpreted strike length of 1,903 feet (580 metres). The reader is referred to the Company’s news releases and its website for more information. Drilling is on-going and complete assays are pending. Currently, exploration is being carried out by two drill rigs from the ice of East Bay. Typically, such ice base drilling is usually concluded by the end of March due to the impending spring ice ‘break-up’.

A new 43-101 technical report focused on the exploration results from the F2 Gold Zone was filed in January, 2009. Following the \$40MM financing in March, 2009, we will be evaluating ways to expand and increase exploration of the F2 Gold Zone which may require an updated 43-101 report to include an expanded program and budget.

***Permitting Summary***

Rubicon has now received all of the necessary permits to commence the previously reported Phase I dewatering and shaft rehabilitation. The dewatering which is currently underway is estimated to be completed in early April, 2009. In addition, Rubicon submitted a Closure Plan to the Government of Ontario to allow underground exploration which was accepted for filing in February of 2009. Rubicon plans to extend the existing three compartment shaft by approximately 200 metres and is currently evaluating ways to best advance its underground drilling programs in light of its March 5, \$40MM financing.

Rubicon is required to comply with all permits in hand which includes the obligation to continue to consult with local communities, including first nations.

***Other Red Lake projects***

Rubicon’s strategy in Red Lake is predicated on its control of major ultramafic trends in this important gold-producing district. Ultramafic units are important because there is a close empirical relationship in Red Lake between ultramafic rocks and gold deposits as detailed in numerous public domain articles and publications. As such, all of Rubicon’s current land holdings in Red Lake projects are considered strategic to our plans. While the current focus of the Company is on exploration at its Phoenix project, high geological potential and numerous gold zones are known to exist elsewhere on the Company’s regional land holdings. These provide an important and unique pipeline of future exploration projects in Red Lake for the Company.

## RUBICON MINERALS CORPORATION – MD&A – December 31, 2008

Total drilling on the Company's Red Lake Projects is outlined on Table 1 below:

Table 1

<b>Projects</b>	<b>Metres</b>
Total Red Lake	51,922
Phoenix Project	48,772
F2 Zone	37,561

### Adams Lake Property

The Adams Lake property comprises 35 unpatented mining claims (235 units) located approximately 5 kilometres east of the Red Lake mine complex. Titan 24 geophysical surveys define large structures extending to depth that are thought to be similar to structures which host gold mineralization elsewhere in this prolific gold district. The Company conducted a two-hole reconnaissance program at Adams Lake. The drilling confirmed the presence of prospective Balmer rocks and validated the Titan 24 survey in the area below iron formation located close to the Balmer formation contact. The Company believes these results confirm the presence of prospective units in a major fold closure at Adams Lake. Due to the focus on the Phoenix project, drilling at Adams Lake was curtailed to allow maximum resources to be directed to the F2 discovery.

### East Bay Property

The Company has a 100% vested interest (as of January 30, 2007) in 25 unpatented mining claims (44 units: Herbert Option and Sargeant Option). The project occupies four-kilometres of strike length of the East Bay Trend, immediately adjacent to, and on strike with, the GAZ zone (an inferred resource of 1.4 million tonnes grading 8.0 g/t gold controlled by Goldcorp/Premier Gold Source: Premier Gold News Releases). The East Bay claims are underlain by the East Bay ultramafic body, an important unit associated with gold elsewhere along the trend, including at Rubicon's Phoenix Gold Project. Although considered strategic and a priority target, plans for East Bay have been postponed to allow maximum resources to be directed to the Phoenix project.

### DMC Property

The DMC property comprises 41 contiguous unpatented mining claims (263 units) located 7.5 kilometres northwest of the Red Lake mine complex and covers over 17 kilometres strike length of the northeast-trending Red Lake Greenstone belt. The property was subject to an option agreement with Agnico-Eagle Mines Ltd. (Agnico) at the beginning of 2008, but was returned 100% to the Company during February. The property is considered strategic to the Company. The Company plans to conduct a Titan 24 geophysical survey covering the core of the DMC property before the end of April, 2009. This survey technique has the potential to provide targeting information from surface to up to one kilometer below surface. At the Company's Phoenix project, similar Titan 24 surveys have been able to identify the F2 Zone mineralized sequence. Rubicon views Titans 24 as a potentially useful tool to identify new targets beyond the Phoenix project itself.

### Humlin Property

The Company had optioned a 55% interest in 19 unpatented mining claims (216 units) known as the Humlin Project located in Fairlie Township to Solitaire Minerals Corporation ("Solitaire"). During 2008 Solitaire funded a soil sampling survey on claims immediately adjacent to Goldcorp's North Madsen property and northwest of Claude Resources' Madsen property. Solitaire was not able to meet the required \$400,000 option terms in 2008 and Rubicon subsequently re-acquired 100% of the property in February 2008. The property is subject to an underlying NSR of between 1.75% and 2.0%.

*Partnered Projects*

McCuaig JV Property

The McCuaig Property comprises three unpatented mining claims (10 claim units) seven kilometers northwest of the Red Lake mine complex and is a Joint Venture between Rubicon Minerals Corp. (60%) and Golden Tag Resources (40%). The property is strategically located in the heart of the Red Lake gold camp and is underlain in part by the Balmer stratigraphy of the Red Lake Greenstone Belt. The geological setting is considered to be analogous to the Bruce Channel mineralization previously being explored on the adjacent Gold Eagle Mines property (now controlled by Goldcorp Inc.) and to the setting of the major gold deposits of the camp hence is well located for future exploration. Notwithstanding the foregoing, the Company's focus at the Phoenix project meant that no work was carried out in 2008. However, the location and geological environment on the property makes this a strategic project for Rubicon.

Red Lake North Property

The Company has optioned a 55% interest in 47 unpatented mining claims (329 units) known as the Red Lake North Project located in Bateman, Black Bear, Coli Lake and McDonough Townships to Solitaire Minerals Corporation ("Solitaire"). Solitaire is required to spend \$751,000 by May 1, 2010 in order to maintain its option in good standing at which time, it will have vested as to a 60% interest in the project. The main focus of exploration on the property is in the area referred to as the Sidace Area claims.

*Sidace area claims:*

This area of the property is situated adjacent to the Main Discovery Zone (MDZ) located on the adjacent Goldcorp/Planet Exploration Inc. property (see Planet Exploration's news releases). The style of mineralization reported on the adjacent property is consistent with locally thick gold zones developed within folded quartz-sericite schist which are reported to exhibit an increase in both gold grade and thickness with depth. In early 2008 a drill hole completed to a depth of 2269 metres to test the down-dip extension of the MDZ. Assays returned from a 50.4 metre section of sericite-bearing schist indicate a thick section of elevated gold (0.74 g/t over 36.1 metres) including 3.42 g/t gold over 4.6 metres and individual assays up to 7.7 g/t gold over 1.0 metre. This stratigraphy is interpreted to be the equivalent of the stratigraphy host to the MDZ on adjacent claims. Partner Solitaire has elected not to drill a recommended follow-up deep drill hole at Sidace but it has met its expenditure commitment for 2008.

Westend Property

During the year, the Company optioned a 60% interest in 23 unpatented mining claims (87 units) known as the Westend Project located in Ball Township to Halo Resources Ltd. ("Halo"). Under terms of the Letter Agreement dated July 10, 2008, Halo must incur \$1,000,000 in expenditures on the property over four years including \$75,000 firm in Year 1 (completed), make an initial cash payment of \$20,000 (completed) and issue to the Company 50,000 shares of Halo (completed) to earn a 60% interest in the property. The property is subject to a NSR of 1.0% on four of the claims in the Agreement.

Slate Bay Property

The Company has a 100% interest in 28 unpatented mining claims (146 units) located in McDonough and Graves Township. The Company's 100% interest is subject to a 1.75 - 2.0% NSR royalty. Approximately \$500,000 in exploration work has been completed since 2001.

Slate Bay, located in the core of Red Lake, is a large property with extensive gold-bearing highly prospective Balmer stratigraphy – which includes key mafic-ultramafic contacts in proximity to a regional scal angular unconformity. The setting is analogous to that at the producing mines in the camp, which collectively contain >20 million ounces of gold. Recent exploration has advanced the Slate Bay property to a new level of drill-readiness, and has provided a \$500,000 dataset with which to plan future exploration programs. A minimum 10-hole (2500 m) drill program is recommended for the Slate Bay property.

## **RUBICON MINERALS CORPORATION – MD&A – December 31, 2008**

### English Royalty Division

The English Royalty Division refers to Rubicon's active program of acquiring mineral properties for the purpose of optioning out to other mining exploration companies. As such, it provides the Company with an ongoing revenue stream of cash and shares and a residual royalty position in all the properties acquired.

During the year ended December 31, 2008, the Company finalized 9 new property agreements and spent \$153,847 on acquisition and maintenance costs and recovered \$712,523 in cash and shares.

### ***Qualified Person***

The 2008 exploration work in Red Lake is supervised by Terry Bursey, P.Geo., the Qualified Person under the definition of NI 43-101. Assays were conducted on sawn NQ-sized half core sections. Further drilling is required before the true widths of reported intercepts can be determined. The saw blade is routinely cleaned between samples when visible gold is noted during logging and sampling of the drill core. Assays were conducted by SGS Minerals Services using standard fire assay on a 30 gram (1 assay ton) sample with a gravimetric finish procedure. Assays are uncut as is standard practice in Red Lake. Standards, blanks and check assays were included at regular intervals in each sample batch. Gold standards were prepared by CDN Resource Laboratories Ltd. Work programs are supervised by Terry Bursey, P.Geo. the project Qualified Person under the definition of NI 43-101.

## **ALASKA EXPLORATION**

During 2007, the Company announced the closing of the McEwen transaction which included the acquisition of a 512,960 acre land package in Alaska, southeast of Fairbanks. The lands surround the Pogo Gold Deposit, which has reported reserves of 3.62 million ounce gold (7.7 million tons grading 0.47 opt as of 12/31/05 (7.0 million tonnes @ 16.12 gpt)) owned by Sumitomo Minerals (60%) and Teck-Cominco (40%) – see [www.teckcominco.com](http://www.teckcominco.com) for further details of the deposit. Approximately 2/3 of the package is 100% owned by Rubicon (New Horizon Claims) and the other 1/3 consists of lands subject to an option agreement with Rimfire Minerals Corporation that allows the Company to earn up to a 75% interest (see website [www.rubiconminerals.com](http://www.rubiconminerals.com) for property map). The exploration targets are high- grade gold deposits of the Pogo type. The Pogo deposit has a distinctive geochemical expression (gold, bismuth, arsenic) and was discovered as a result of drill-testing stream silt anomalies and a multi element soil anomaly.

### Exploration during the Year

Pursuant to its obligations under the McEwen agreement, Rubicon carried out a US\$1.5MM exploration program on its land holdings, located in the Pogo area of Alaska. This includes US\$750,000 on claims under options from Rimfire Minerals Corporation. The Alaska claims are at an early stage of exploration and accordingly, work has focused on mapping and prospecting of this large area to identify and prioritize targets going forward. The program also included a minor diamond drilling program testing priority areas. Prospecting of the ER claims, under option from Rimfire, led to the discovery of intermittently exposed sub-cropping surface mineralization hosted by quartz rich breccias and elevated gold mineralization, however subsequent drilling failed to return significant gold values. During the current year, Rubicon spent \$2.0 million in Alaska to bring its total exploration expenditures in Alaska in 2007 and 2008 up to \$4.5 million. This completes the Company's commitment, as required under the McEwen transaction, for Alaska exploration. Due to the F2 Gold Zone discovery, the Company has elected to reduce its 2009-2010 exploration in Alaska but it continues to view its holdings as prospective for new high grade gold discoveries in the area.

The Alaska projects are under the supervision of Curt Freeman, MS., PGeo, Qualified Person as defined by NI 43-101.

## **NEVADA EXPLORATION**

During 2007, Rubicon acquired a 225,000 acre land package in Elko County, Northeastern Nevada pursuant to the McEwen transaction. Exploration of this property is in the preliminary stage. Lexam Explorations Inc., a McEwen controlled company, from whom the property was acquired, had previously carried out approximate US\$1 million in exploration.

## RUBICON MINERALS CORPORATION – MD&A – December 31, 2008

Pursuant to the McEwen acquisition and financing agreements, Rubicon has met the requirement of spending \$500,000 exploring the property before mid May 2008.

This area of Nevada is starting to be subject to more exploration following recent discoveries by others in the region. During 2008 Rubicon carried out an extensive airborne magnetic and radiometric survey designed to aid in the development of target areas. This was supplemented by field mapping, prospecting and the completion of a regional stream sampling program and ASTER image analysis to aid in target selection. A thorough review of this newly acquired information is ongoing and priority targets will be selected for follow-up for the 2009 field season.

### RISKS AND UNCERTAINTIES

The success of the Company depends upon a number of factors, many of which are beyond our control. Typical risk factors and uncertainties, among others, include political risks, financing risks, title risks, commodity prices, exchange rate risks, operating and environmental hazards encountered in the exploration, development and mining business and changing laws and public policies. Risk factors are more fully described in our Annual Information Form, on file at [www.sedar.com](http://www.sedar.com).

### SELECTED ANNUAL INFORMATION (based on Canadian GAAP)

Fiscal Year ended	2008	2007	2006
Interest and miscellaneous income	\$732,798	\$941,330	\$355,300
Gain (loss) on sale of investments	\$(222,491)	\$7,822	\$128,880
Net income (loss)	\$494,441	\$(2,216,381)	\$(3,787,920)
Basic and diluted net income (loss) per share	\$0.00	\$(0.02)	\$(0.05)
Total assets	\$106,834,083	\$101,017,670	\$31,885,579
Total long-term financial liabilities (Non-controlling interest and stock compensation)	\$Nil	\$Nil	\$Nil
Cash dividends	\$Nil	\$Nil	\$Nil

The major factors that caused significant variations in net loss were the recording of tax recoveries from the renunciation of exploration expenditures to flow-through share holders, gains on sales of investments and the write-down of properties based on a periodic review of such properties. None of these factors have identifiable trends. The 2008 increase in income was largely due to the \$3.3 million in income recorded on the renunciation of exploration expenditures. Investment losses in 2008 were part of an industry wide drop in values.

### OPERATING RESULTS

#### Fiscal year ended December 31, 2008 compared to Fiscal year ended December 31, 2007

For the fiscal year 2008, the Company earned \$0.50 million (\$0.00 per share) compared to a net loss of \$2.2 million (\$0.02 per share) incurred in the fiscal year 2007, a difference from loss to income of \$2.7 million. The main factor in this increase in income was the recording of a recovery of future income taxes of \$3.3 million in the first quarter, on the renunciation of flow-through share expenditures. Flow-through shares create a future tax liability when renounced, as the income tax benefits are given to the investors. Where the Company has unrecognized past tax losses these losses can now be set off against the liability and the foregone benefit reinstated.

For the fiscal year 2008, the Company recorded a loss in Other Comprehensive Income (“OCI”) of \$1.9 million compared to a gain of \$0.3 million in the prior year a difference of \$2.2 million.. Comprehensive loss (the total of the net loss or income and the other comprehensive income or loss) for the fiscal year 2008 was \$1.6 million compared to \$1.9 million in the prior year comparative period, a decrease in comprehensive loss of \$0.3 million.

The increase in income was due to the net effect of some expense categories increasing and some decreasing. Significant items making up this change were as follows:

- Investor relations expenses were higher by \$233,511 due to increased investor related activities such as analyst tours.
- Part XII.6 tax on flow-through was higher by \$159,279 due to interest related costs from the November 2007 flow-through financing

## **RUBICON MINERALS CORPORATION – MD&A – December 31, 2008**

- Professional fees were lower by \$153,041 due to the prior year's final plan of arrangement (December 2006) costs and legal costs related to the McEwen agreement of May 2007.
- Property write-offs were down by \$224,696 as no properties were dropped in 2008.
- Interest and other income was lower by \$208,532 due to lower interest rates, lower cash balances from which interest was earned in the current period and a reduction in other income due to the fall in value of the Paragon option asset.
- Option receipts in excess of property costs, which represent amounts received from optionees of the Company's properties was higher by \$260,863. This line item is now mostly ERD option receipts in excess of acquisition costs.
- Losses on sale of investments were higher by \$230,313 as the Company sold shares mostly received from various optionees through the ERD. Acquisition of these shares requires minimal cash outlay and the losses are based on the difference in share price from the date of the receipt of the share to the share price on the date of the sale of the share. Many shares received from optionees have hold periods preventing immediate sale. The losses are mainly attributable to the overall decline in prices of junior mining shares in the period.
- The future income tax recovery of \$3.3 million arose from the renunciation of flow-through share expenditures and offsetting this liability against previously unrecognized tax losses.
- Other comprehensive loss for the fiscal year 2008 was \$1.9 million compared to other comprehensive income of \$0.3 million in 2007. The OCI loss in the current period was mainly caused by the drop in value of the Company's investments in junior mining stocks. These losses represent unrealized valuation losses.

### **Fiscal year ended December 31, 2007 compared to Fiscal year ended December 31, 2006**

For the fiscal year 2007, the Company incurred a net loss of \$2.2 million (\$0.02 per share) compared to a net loss of \$3.8 million (\$0.05 per share) incurred in fiscal year 2006, a decrease in net loss of \$1.6 million.

For the fiscal year 2007, the Company recorded other comprehensive income of \$341,053, compared to nil in the prior year. Comprehensive loss (the total of the net loss and the other comprehensive loss) for the fiscal year 2007 was \$1.8 million compared to \$3.8 million in the prior year comparative period, a decrease in comprehensive loss of \$2 million.

The decrease in loss was due to the net effect of some expense categories increasing and some decreasing. In general, savings were made from the sharing of office resources, accounting and investor relations costs with Paragon Minerals Corporation. Significant items making up this change were as follows:

- Professional fees were higher by \$71,762 caused by increased legal fees, SOX evaluation fees, and accounting advice and services arising out of the McEwen financing issues.
- Salary expense was higher by \$247,399 due to a combination of increased staffing from the prior year, salary increases and other staff issues.
- Re-organization costs from the December 2006 plan of arrangement were concentrated in that year and so were \$860,748 lower in the current period.
- Write off of mineral properties was lower by \$34,127 in the current year. On average, the Company's portfolio of properties is improving in quality.
- Interest income was higher by \$586,030 due to interest earned on money received in the 10.4 million (net) financing of October 2007 and the \$15 million dollar McEwen financing of May 2007.
- Option receipts in excess of property costs which represent amounts received from optionees of the Company's properties was lower by \$131,197. This line item is now mostly ERD option receipts in excess of acquisition costs. Although gross receipts were higher in 2007, high staking costs caused a net reduction in receipts over costs.
- Gains on investment sales were down by \$134,502 due to a more aggressive policy on liquidating small holdings of exploration companies.
- Loss in equity investments was lower by \$1,262,939. The lower loss was due to distribution, in the prior year of the Africo Resources Ltd. investment, to shareholders under the December 2006 Plan of Arrangement. In the current year the Company has only recorded its share of losses in Constantine Metal Resources Ltd. to July 10 which were significantly less. The Company has no equity accounted investments as of December 31, 2007.
- Future income tax recovery was lower by \$453,840 because there was no renunciation of flow-through share expenditures in the current year.

## RUBICON MINERALS CORPORATION – MD&A – December 31, 2008

- Effective January 1, 2007, the Company adopted section 1530 of the CICA handbook which introduces new standards for reporting and display of comprehensive income. Other comprehensive income for the fiscal year 2007 was \$341,053 (2006 - Nil). The income was the cumulative effect of recognizing unrealized gains of \$784,505 on the Company's portfolio of junior mining stocks – mostly caused by the recognition of unrealized gains in the value of Constantine Metal Resources Ltd on it ceasing to be an equity investment. This gain was offset by unrealized losses of \$423,600 on re-valuation of the company's option rights associated with Africo Resources Ltd. Africo's share price dropped significantly in the period. See the discussion under "Changes in Accounting Policies and Initial Adoption" for a detailed discussion on the adoption of the accounting policy.

### SUMMARY OF QUARTERLY RESULTS (Based on Canadian GAAP)

Quarter	2008 Fourth	2008 Third	2008 Second	2008 First	2007 Fourth	2007 Third	2007 Second	2007 First
	\$	\$	\$	\$	\$	\$	\$	\$
Interest and other income	215,364	161,382	67,762	293,438	381,017	218,638	313,598	115,975
Gain (loss) on sale of investments	(85,912)	(111,252)	7,744	-	(165,503)	(11,687)	12,500	37,396
Net loss (income)	844,959	531,151	1,080,848	(2,950,075)	230,576	355,458	441,774	788,869
Basic and fully diluted net loss (income) per share	0.01	0.00	0.01	(0.02)	0.01	0.00	0.00	0.01

Overall, quarterly losses have increased due to increased administration costs to support an expanding exploration program. During early 2007, the costs of the December 2006 Plan of Arrangement increased expenses significantly. In the first quarter of 2008 a \$3.3 million tax recovery was recorded on renunciation of flow-through share exploration expenditures. Other factors generally causing significant variations include the recording of stock based compensation and the write-off of abandoned mineral properties. These other factors do not have identifiable trends.

### FOURTH QUARTER

For the 3 months ended December 31, 2008, the Company had a net loss of \$0.84 million (\$0.01 per share) compared to a net loss of \$0.23 million (\$0.01 per share) incurred in the 3 months ended December 31, 2007, an increase in loss of \$.61 million. The main factor in this increase in loss was the increase in other losses caused by declining junior mining stock valuations. During the 3 month period, the Company had other comprehensive losses ("OCI") of \$1.75 million compared to a gain of \$1.6 million in the prior year. This also was caused by a severe drop in the value of junior mining shares in the recent quarter.

During the 4<sup>th</sup> quarter the Company closed a \$10.2 million financing as described below under liquidity.

### LIQUIDITY AND CAPITAL RESOURCES

#### Liquidity and Capital Resources – December 31, 2008.

The Company had working capital of \$22.3 million at the 2008 year end compared to \$30.7 million at 2007 year end. Working capital was lower mainly due to exploration expenditures of \$16.9 million cash offset by the November 2008 \$10.2 million financing. Details of the financing are described under "Financing Cash Flows" below:

#### Operating Cash Flows – Year ended December 31, 2008.

The use of cash in operations was stable compared to the prior year increasing slightly from \$1.3 million to \$1.4 million.

#### Investing Activities – Year ended December 31, 2008.

The reduction in cash used in investing activities from \$18 million to \$4 million is mostly accounted for by the net difference of a conversion of short term investments of \$22 million to cash equivalents and an increase in exploration expenditures of \$6.9 million.

#### Financing Cash Flows – Year ended December 31, 2008

## **RUBICON MINERALS CORPORATION – MD&A – December 31, 2008**

On November 18, 2008, the Company closed a \$10.2 million brokered and non-brokered private placement issuing 4,870,370 flow-through common shares at a price of \$1.35 per share and 3,296,300 common shares at a price of \$1.10 per share. A 5.5% cash commission was paid to the underwriter on the brokered portion and with other costs net proceeds amounted to \$9.46 million.

On March 5, 2009, subsequent to the year end, the Company closed a \$40,000,000 bought deal private placement issuing 25 million common shares at a price of \$1.60 per share. A 5.5% cash commission was paid to the underwriter and after other costs, net proceeds amounted to \$37.65 million.

Cash on hand at March 28 was \$56.7 million. The Company expects these funds to be sufficient to meet its working capital requirements and other requirements to the end of 2010 irrespective of further financing or exercise of warrants or options.

Further details of the above financings are available on Sedar in the Company's material change reports of November 10, 2008 and March 5, 2009.

As the Company currently has no producing mines, it is likely that future equity financings will be needed to fund the Company's longer term operations.

### **FINANCIAL INSTRUMENTS**

The Company's financial instrument policies are described in note 4 to the financial statements. Note 7 to the financial statements lists the financial instrument fair values by category and discusses risk factors and exposures. Overall, the Company's only significant exposure is its cash and short-term cash investment balances. The Company's paramount concern with these balances is preservation of capital and therefore, during the year, authorized investments were restricted to instruments of the government of Canada or the Provinces of Canada. Prior to the third quarter of 2008, the Company had invested in major Canadian bank guaranteed instruments. The Company has no exposure to asset-backed commercial paper.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements other than those as disclosed under commitments in note 17 of the consolidated financial statements of the Company.

### **COMMITMENTS**

Pursuant to the McEwen agreement, the Company became committed to spend \$5 million on its Red Lake, Ontario properties by May 18, 2008 which was amended to \$5.5 during the period and this commitment was met. Pursuant to the same agreement, a further Cdn\$5 million was committed to the Alaska properties to be spent by May 18, 2009 which was amended to Cdn\$4.5 million during the period. This commitment has been fully met as at December 31, 2008. . The Company was required to spend sufficient funds to maintain the Rimfire option in good standing to May 18, 2008 and it has done so. In addition, the Company agreed to spend Cdn\$500,000 on its Nevada properties by May 18, 2008 which was completed within the time frame. There are no further exploration or other future commitments outstanding from the McEwen agreement.

At December 31, 2008, the Company has \$144,295 (2007 - \$244,366) in remaining lease payments for the use of its Vancouver office to September, 2010.

At December 31, 2008, the Company is committed to incur \$5,730,041 (2007 year end – \$9,984,996) in eligible exploration expenditures before December 31, 2009, in order to complete obligations entered pursuant to flow-through share purchase agreements.

The Company is required to make certain cash and share option payments and incur exploration costs to maintain its mineral properties in good standing. These payments and costs are at the Company's discretion and are based upon available financial resources and the exploration merits of the mineral properties which are evaluated on a periodic basis.

## **RUBICON MINERALS CORPORATION – MD&A – December 31, 2008**

### **TRANSACTIONS WITH RELATED PARTIES**

#### Legal services

David Reid is a director of the Company and a partner at the law firm Davis LLP. As of fiscal year 2008, the Company paid legal fees to Davis LLP, aggregating to \$198,442 (2007 - \$729,706). As at December 31, 2008, Davis LLP is owed \$19,500 (2007 - \$nil). All transactions were recorded at their fair value amounts and were incurred in the normal course of business.

#### Paragon Minerals Corporation

Paragon Minerals Corporation (“Paragon”) is the spin-off company that acquired Rubicon’s Newfoundland mineral properties under the December 2006 plan of arrangement. Paragon has one common director, shared offices and office expenses with Rubicon and shared the CFO and office support staff up to June 2008. In addition, the CEO of Paragon provided management services to Rubicon on a part time basis up until December 31, 2007. On June 12, 2008, the Rubicon CFO ceased providing CFO services to Paragon and from that date Paragon ceased to be a related party of the Company. As at December 31, 2008, Paragon owed the Company \$nil (2007 - \$69,475). All transactions were recorded at their fair value amounts and were incurred in the normal course of business.

See note 16 “Related Party Transactions”, in the consolidated financial statements for additional information on related party transactions with the Company.

### **CRITICAL ACCOUNTING ESTIMATES**

The Company’s accounting policies are described in detail in Note 4 of the consolidated financial statements for the year ended December 31, 2008. The Company considers the following policies to be most critical in understanding its financial results:

#### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting policies requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on past experience, industry trends and known commitments and events. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. Actual results will likely differ from those estimates.

#### Carrying value of mineral property costs

The Company has capitalized the cost of acquiring mineral property interests and on-going exploration and maintenance costs. Capitalized property costs are expensed in the period in which the Company determines that the mineral property interests have no future economic value. Capitalized property costs may also be written down if future cash flow, including potential sales proceeds and option payments, related to the property are estimated to be less than the carrying value of the property. The Company reviews the carrying value of its mineral properties periodically, and whenever events or changes in circumstances indicate the carrying value may not be recoverable, reductions in the carrying value of each property would be recorded to the extent that the carrying value of the investment exceeds the property’s estimated fair value.

#### Stock-based compensation

The Company has adopted the fair value based method of accounting for stock option and compensatory warrant awards granted to directors, employees and consultants. Under this method, the fair value of stock options is calculated at the date of grant or vesting and is expensed, capitalized or recorded as share issue costs over the vesting period, with the offsetting credit to contributed surplus. If the stock options are exercised, the proceeds are credited to share capital.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options and compensatory warrants granted. This model is subject to various assumptions. The assumptions the Company

## **RUBICON MINERALS CORPORATION – MD&A – December 31, 2008**

makes will likely change from time to time. At the time the fair value is determined, the methodology the Company uses is based on historical information, as well as anticipated future events.

### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

#### Comprehensive Income, CICA Handbook Section 1530

Effective January 1, 2007 the Company adopted section 1530 which introduces new standards for reporting and display of comprehensive income. Comprehensive income is the change in equity (net assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

#### Equity, CICA Handbook Section 3251

Effective January 1, 2007, the Company adopted new handbook Section 3251 which establishes standards for the presentation of equity and changes in equity during a reporting period as a result of the comprehensive income reporting requirements of new Section 1530.

#### Financial Instruments, CICA Handbook Section 3855

Effective January 1, 2007, the Company adopted new handbook Section 3855 which prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based measures are used. It also specifies how financial instrument gains and losses are to be presented.

Pursuant to these new standards, the Company has included a new statement of comprehensive income with its financial statements and has applied fair value accounting to certain of its financial instruments. This has resulted in the recognition of unrealized gains and losses as other comprehensive income or loss which appear on the statement of comprehensive income or loss.

#### Capital Disclosures, CICA Handbook Section 1535

Effective January 1, 2008, the Company adopted new CICA Handbook section 1535 which 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.

#### Financial Instruments - Disclosure and Presentation, CICA Handbook Sections 3862 and 3863

Effective January 1, 2008, the Company adopted new CICA Handbook sections 3862 and 3863 which replace CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation. These standards increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

### **New Pronouncements affecting Future Accounting Policies**

The following pronouncements recently issued by the Canadian Institute of Chartered Accountants ("CICA") will likely impact the Company's future accounting policies:

#### Goodwill and intangible assets

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. This standard is effective for fiscal years beginning January 1, 2009 with retrospective application. This standard will require the expensing of start-up costs.

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### International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canadian generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The changeover date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The SEC has indicated that foreign private issuers, like the Company, will no longer have to append US GAAP reconciliations to their SEC filings upon their conversion to IFRS.

The key elements, timing and status of the Company’s changeover plan are outlined below:

1. Develop internal knowledge to manage changeover, design systems and produce IFRS reports.

Senior accounting staff have commenced upgrading their knowledge and will continue throughout the process.

2. Review accounting policy changes that are required or are optional under IFRS1 on conversion and make choices where necessary.

Mid to late 2009 has been targeted as completion date to make these decisions. When these changes and proposed decisions have been made, the audit committee and board will be provided with the knowledge to evaluate the proposed changes.

3. Prepare 2010 opening balance sheets and reconciliations of 2010 interim and year end statements to Canadian GAAP statements of the same periods.

Our target will be to prepare these statements as soon as practicable through 2010.

4. Review accounting software and other information technology issues for IFRS compliance.

Software is planned to be compliant before the transition date of January 1, 2010.

5. Review internal control implication of new policies and changeover.

Internal control implications are targeted to be determined before the changeover date of January 1, 2011.

6. Review disclosure controls and procedures in light of change to IFRS.

Disclosure controls and procedures implications will be determined before the changeover date of January 1, 2011.

7. Review business implications of conversion such as compensation formulas, key performance indicators and contract requirements.

Target completion date is mid 2010.

It is expected that policy changes implemented pursuant to IFRS may have a material effect on the Company’s financial statements.

### **OUTSTANDING SHARE DATA**

As at March 31, 2008, the Company had the following common shares, stock options and warrants outstanding:

Common shares issued and outstanding	181,475,657
Stock options	7,083,800
Warrants	10,624,985
Fully diluted share capital	199,184,442

## **DISCLOSURE CONTROLS AND PROCEDURES**

The CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded, based on their evaluation, that they were effective as of December 31, 2008 to provide reasonable assurance that all material information relating to the Company and its consolidated subsidiary will be made known to management and disclosed in accordance with applicable securities regulations.

## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the effectiveness of the Company's internal control over financial reporting. Based on this assessment, performed after the year end, management has concluded that as at December 31, 2008, the Company's internal control over financial reporting was effective.

## **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have been no changes in the Company's internal control over financial reporting during the fiscal year 2008, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

## **ADDITIONAL INFORMATION**

Additional information on the Company, including our Annual Information Form and other public filings, are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CAUTIONARY NOTICES**

The Company's consolidated financial statements for the fiscal year 2008 and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of Section 21E of the United States Securities Exchange Act of 1934. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future exploration plans and expenditures, financings, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessments and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading "Risks and Uncertainties" and to those that may be discussed as part of particular forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and except as required by applicable securities laws, the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking

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statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.