

To our shareholders,

Exploration at the 100%-owned Svetloye gold project in Russia continues to advance significantly. Highlights include work at the Amy target where the mineralized zone was expanded significantly and a new NI 43-101 compliant resource estimate is 5.975 million tonnes averaging 2.43 g/t gold, containing 467,000 ounces of gold. This represents a 230% increase in contained gold at Amy. The total resource estimate, including Elena, Amy and Tamara now contains 1.428 million ounces of gold, which is a 29.5 % increase over the previous total.

The Svetloye project, which is located in the Russian Far East, is a high sulphidation gold system. It comprises nine key targets of alteration and gold mineralization that underlie a total area of about 17 square kilometres. The alteration areas form a northwesterly trending belt across the property that is about 8 km long by up to 4 km wide. Work during 2008 was focused primarily on three of the targets, Elena, Tamara and Amy.

In May 2009, the Company announced a Cdn \$3.5 million private placement of 14 million common shares of the Company at a price of Cdn \$0.25 per share. Kinross Gold Corporation ("Kinross") acquired 10 million shares of the private placement for gross proceeds of \$2.5 million and other parties purchased 4 million shares for gross proceeds of \$1 million. Upon completion of the private placement, Kinross will hold approximately 6% of the outstanding shares in the Company.

The 2009 drill program commenced on May 6, 2009. An aggressive work program is planned for the summer including trenching, sampling and over 8,000 metres of drilling. The 2009 drilling program will initially concentrate on the Amy prospect, which based on the late season drill results from 2008 shows great potential for expansion to the south, west and east. In addition, the 2009 drilling program will test anomalous areas that were outlined by an IP geophysical survey completed at the Amy prospect in 2008. This IP survey delineated a zone of strong chargeability response to the east of the Amy resource area that is buried beneath extensive soil cover. A second blind target was identified by the IP survey to the southeast of the Amy prospect, again buried under relatively thick soil cover. Both of these large geophysical anomalies are located outside the areas of existing soil surveys, trenching, and drilling.

In April 2009 an updated resource estimate was completed on the Amy target based on the Company's successful step-out diamond drill program conducted at Amy during the 2008 field season. The updated Amy resource estimate was based upon an additional twenty core holes totaling over 3,300 meters of drilling from 2008. The modeling procedures, grade estimation parameters, and resulting mineral resource estimate and classification were based upon three-meter run length drill composites that were capped at a grade of 10 g/t based on a statistical analysis of the data base. At a cutoff grade of 1.0 g/t the Amy target contains an inferred resource of 5.975 million tonnes grading 2.432 g/t gold and containing 467,112 ounces of gold. This represents an increase in contained gold of 230% from the Company's previous resource estimate. The total resource is now 20.1 million tonnes grading 2.21 g/t gold, which is a 29.5% increase over the initial estimate. The resource model was completed by independent consulting geologist Dean D. Turner, P.Geo., and the Company's Chief Geologist, James C. Ashleman, P.Geo., both Qualified Persons as defined by National Instrument 43-101. The Amy resource estimate complies with NI 43-101 and Canadian Institute of Mining guidelines for reporting mineral resources.

Mineral Resource Estimate for the Svetloye Project					
Deposit	Category	Cut-off grade	Tonnage	Grade (g/t Au)	Oz (troy) Au
Elena	Inferred	0.5	12,199,000	2.10	823,735
Amy	Inferred	1.0	5,975,000	2.43	467,112
Tamara	Inferred	0.5	1,929,000	2.22	137,421
Total			20,103,000	2.21	1,428,268

Significant 2008 results from Amy include drill hole PDSC-236, which intersected 111.2 meters (from 0 to 111.2 meters) grading 3.33 g/t gold, cut (reducing assays in excess of 30 g/t down to 30 g/t) and 74.1 meters (from 118.9 to 193.0 meters) grading 1.51 g/t gold. Additional significant diamond drill results include drill hole PDSC-234, which intersected 117.5 meters (from 0 to 117.5 meters) grading 1.99 g/t gold and 33.5 meters (from 124.4 to 157.9 meters) grading 1.25 g/t gold.

The Company is very pleased with the continued advancement of the Svetloye project. The grades are encouraging, the mineralization is near surface and all indications show ample room for expansion. The gold at Svetloye is associated with extensive zones of vuggy silica, quartz-alunite and quartz-dickite-kaolinite alteration. This style of mineralization is common to Pierina, Veladero and other high-sulphidation epithermal deposits.

Despite challenging conditions in the financial markets, the Company successfully raised \$3.5 million in the first quarter of 2009. Its key project, Svetloye, was significantly advanced in 2008 and this project is showing potential to become a sizeable gold deposit. Known gold resources now stand at over 1.4 million ounces and significant potential remains.

The Company looks forward to continued success at Svetloye with the first assay results of 2009 expected in late June.

On Behalf of the Board,

Lukas H. Lundin
President and CEO

May 27, 2009