Third Quarter Report

September 30, 2008

Duluth Metals Limited
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Duluth Metals Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter Ended September 30, 2008

Introduction

The following is management's discussion and analysis ("MD&A") of the business activities including the financial condition and results of operations of Duluth Metals Limited (the "Company", "Duluth Metals" or "DML") for the period ended September 30, 2008. We have prepared the MD&A with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators ("NI 51-102"). This discussion and analysis is prepared as of November 7, 2008 and should be read in conjunction with the accompanying unaudited consolidated financial statements and attached notes for period ended September 30, 2008. Certain dollar amounts in this MD&A have been rounded for ease of reading. All amounts are expressed in Canadian dollars unless otherwise noted.

The Company's financial statements include the accounts of the Company which was incorporated on March 8, 2005 and those of its wholly owned subsidiaries Duluth Metals Corp. ("DMC") and Sky Blue Waters Land Company. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Company Overview

DML is an advanced stage mineral exploration company which has completed a preliminary economic assessment on a large, bulk-mineable underground copper-nickel-PGM deposit located in the Duluth Complex in northeastern Minnesota, USA. The Company's principal exploration properties are called the Maturi Extension Properties which includes the Company's prime asset the Nokomis Deposit.

Outlook

In the current economic climate the Company is well positioned with $14.7 million cash and term deposits and minimal fixed long term commitments. Given the large size of the already defined resource and in order to preserve cash, the Company has shifted its focus from extensive exploratory drilling to geological analysis and interpretation, environmental work and metallurgical studies. Focusing on these critical path items will allow the Company to preserve cash while attempting to maintain the project timelines. The Company will pursue financing opportunities as they present themselves.

Exploration Activity

On January 22, 2008, DML announced the receipt of its Scoping Study ("the Study") on the Nokomis Deposit entitled "Technical Report on the Preliminary Assessment on the Nokomis Project, Minnesota, U.S.A.", completed by Scott Wilson RPA. Graham G. Clow, P.Eng. of Scott Wilson RPA is the Independent Qualified Person who is responsible for the report. The engineering parameters of the Study included 20,000 tonnes of ore per day being mined from underground operations, which would be crushed and ground, concentrated, hydrometallurgically extracted, and the copper and nickel would be recovered by electro-winning, and the PGMs, gold and silver would be shipped to a third party precious metals refinery. The Study also included costs associated with production royalties, site infrastructure, utilities, material handling, tailings, and final project reclamation. The Study's economic parameters indicate the potential for the Nokomis Project to be one of the world's low cost copper, nickel, PGM operations. Annual production for the 25 year project was calculated at 100.2 million lbs of copper, 23.8 million lbs of nickel, 430,000 lbs of cobalt, 33,000 oz of platinum, 75,000 oz of palladium, and 13,000 oz of gold.

Using base case prices (US dollars) of $1.75/lb Cu; $7.00/lb Ni; $10.00/lb Co; $1,100/oz Pt; $350/oz Pd; $600/oz Au; and market prices of $3.31/lb Cu; $12.70/lb Ni; $47.00/lb Co; $1,559 per oz Pt; $376 per oz Pd; $895 pre oz Au as of January 13, 2008 (the "market case"), the project economics generate the following (in US dollars):

- Base case pre-tax Net Present Value of $792 million at a 10% discount rate and $4.3 billion undiscounted, generating a pre-tax IRR of 21%, and market case pre-tax Net Present Value of $3.2 billion at a 10% discount rate and $12.3 billion undiscounted, generating a pre-tax IRR of 47%.

- Average annual pre-tax operating cash flow over a 25 year mine life for the base case of $219 million per year and $540 million per year for market case.

- Payback on a pre-production capital expenditure of $915.7 million, including contingency of $116.2 million, in 4 years for the base case and 2 years for the market case.

- Base case revenue is derived 42% from copper, 40% from nickel, 1% from cobalt, and 17% from platinum, palladium, and gold.

- Scott Wilson RPA recommended the Project be immediately advanced to pre-feasibility stage, including examining increasing the production rate above the base case of 20,000 tons/day, and delineating higher grade feed for the early years in order to optimize the project economics.

The Company currently holds approximately 14,450 acres of mineral rights which includes approximately 3,000 acres known as the Maturi Extension Properties. Duluth Metals also owns 440 acres of surface rights which are associated with and overlay mineral rights on the Maturi Extension Properties and include parts of the Nokomis Deposit. In April 2008 the Company signed a purchase agreement for a further 1,320 acres of surface rights near the Nokomis Deposit and has a final commitment of US$1,650,000 due in April 2009 or the 1,320 acres revert to 440 acres.

In February 2008, Duluth Metals signed an exclusive option to purchase a key piece of infrastructure land called the Dunka Property from Cliffs Erie LLC, a subsidiary of Cleveland-Cliffs Inc. The acquisition of this strategic land parcel, totalling 1,845 acres, is in close proximity to the Duluth Metals Nokomis Deposit, and would meet a two-fold objective of providing a location for offsite processing, while fulfilling Duluth Metal's commitment to environmental stewardship through use of an existing brownfield/industrial location.

On June 4, 2008, the Company announced the receipt of an updated Nokomis Resource Estimate prepared by Scott Wilson RPA, and on July 21, 2008, the Company announced the receipt of the independent NI 43-101 compliant Resource Estimate and Technical Report entitled "Technical Report on the Resource Estimate for the Nokomis Deposit on the Maturi Extension Properties, Minnesota, USA, prepared for Duluth Metals Limited". The updated Resource Estimate now defines 449 million tonnes of Indicated Resources grading 0.624% copper, 0.199% nickel, 0.600 grams per tonne TPM, plus an additional 284 million tonnes of Inferred Resources grading 0.627% copper, 0.194% nickel, 0.718 grams per tonne TPM. This updated Resource Estimate increased the previously announced Indicated Resource tonnes by 29% and Inferred Resource tonnes by 163%. The deposit remains open in all directions. The updated Nokomis Resource is based on drilling completed to April 2008. Richard E. Routledge, M.Sc., P.Geo. of Scott Wilson RPA, Toronto Canada, is the Independent Qualified Person who prepared the Interim Resource Estimate as well the NI 43-101 Technical Report.

During the third quarter of 2008, Duluth Metals deployed up to five drill rigs. Currently the Company is utilizing one drill rig to continue in-fill drilling. As of September 30, 2008, the Company has drilled approximately 146,872 metres (481,889 ft) and reported on 126 holes from the 2006, 2007 and current 2008 drilling. As part of the updated Nokomis Resource Estimate, Scott Wilson RPA identified an eastern and a western high grade zone. Furthermore on October 27, 2008, the Company announced results on seven new drill holes which confirmed the identification of a significant higher grade zone of mineralization in the eastern corridor. These seven holes were concentrated in an area of historically higher copper, nickel and PGM mineralization (14 previous holes) and covers an area of approximately 320 acres.

The focus of the current program is on the long term development of the Nokomis Deposit which includes geological analysis and interpretation, continued metallurgical testing for processing optimization, environmental baseline studies required for future permitting and developing a preliminary mine plan for future operations.

Effective October 1, 2008, Dean M. Peterson, Ph.D. joined Duluth Metals as Senior Vice President of Exploration. Dr. Peterson is one of the pre-eminent authorities on Duluth Complex mineralization and brings extensive technical knowledge to the Company.

David Oliver, P. Geo. and Nokomis Project Manager is the Qualified Person, in accordance with NI 43-101 of the Canadian Securities Administrators, and is responsible for the technical content of the Company's press releases and quality assurance of the data and analytical results, and has read and approved the technical information contained in this MD&A.

Summary of Quarterly Results

Quarterly results for the past eight quarters ending September 30, 2008 are as follows:

	2008	2007						2006
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Cash	$8,672,344	$19,224,652	$22,292,667	$13,493,948	$20,192,411	$22,137,524	$8,276,435	$8,942,577
Working capital	13,381,359	17,684,295	21,064,330	19,304,617	19,134,366	21,064,590	7,816,297	9,293,520
Loss for period	(6,290,226)	(7,996,020)	(5,979,507)	(4,433,085)	(4,287,019)	(4,376,184)	(2,696,754)	(1,641,135)
Loss per share–basic & diluted	(0.08)	(0.10)	(0.08)	(0.06)	(0.06)	(0.08)	(0.06)	(0.04)
Mining exploration	4,416,665	5,722,729	4,317,884	3,161,427	2,273,756	2,885,390	1,898,889	685,346
Cash flow from financings	948,422	4,811,773	8,086,331	3,923,880	1,606,260	17,365,913	953,770	10,820,433

Results of Operations

For the three and nine month periods ended September 30, 2008, the Company's losses from operations were $6,300,000 or $0.08 per share and $20,300,000 or $0.26 per share respectively (2007 – losses of $4,300,000 or $0.06 per share and $11,400,000 or $0.20 per share respectively). Potentially dilutive instruments, being stock options and warrants, have not been included in the calculation of diluted loss per share as they are anti-dilutive.

The Company incurred $20,900,000 of expenses on operations for the nine months ended September 30, 2008 (2007 - $10,500,000). The operating expenses included;

- Mining exploration expenditures which decreased to $4,400,000 in the 3rd quarter of 2008 (2nd quarter 2008 - $5,700,000) and were approximately double those expenditures compared to the corresponding periods last year as a result of adding more drilling rigs and commencing large diameter drilling in 2008. Drilling and assaying costs accounted for 77% of the 2008 expenditures or $11,100,000 of the $14,500,000 spent on exploration. The other significant increased spending in 2008 involved mining property option payments of almost $600,000 and environmental studies of $900,000.

- Non-cash stock-based compensation expenses of $1,000,000 in the 3rd quarter of 2008 (nine months in 2008 - $3,400,000), recognized as a result of the vesting provisions of 5,035,000 stock options granted to various Officers, Directors, employees and service providers. In 2007, 2,765,000 stock options were granted and $800,000 was expensed in the 3rd quarter of 2007 (nine months in 2007 - $1,300,000). The total value of the 2008 options was $4,829,000 (2007 - $4,177,000) and the weighted-average grant date value increased to $1.74 per share in 2008 as compared to $1.51 in 2007 with the increase in the Company's trading price on the TSX during the respective periods.

- Professional fees of $1,400,000 (2007-$600,000) resulting primarily from expenditures on reporting requirements and other corporate initiatives during the nine month period.

- Office and administrative expenses for the three months ended September 30, 2008 amounted to $900,000 (2007-$700,000) and were incurred primarily to support the Company's increased financing activity in Canada and increased exploration activity in Minnesota. Included in this total is the maintaining of the exploration field office in Ely MN, an operations office in St. Paul MN (established in the 2nd half of 2007) and an executive office in Toronto.

The Company's primary focus is exploration of mineral properties and as such the Company does not have regular income streams.

The interest income earned during 2008 amounted to $400,000 (2007 - $400,000) which was the result of the Company having received proceeds of shares issuances and having deposited those proceeds into interest bearing accounts.

A foreign exchange gain of $100,000 was reported in 2008 as a result of maintaining some funds in the US currency to pay for US dollar exploration costs during the period. During 2007 a foreign exchange loss of $1,300,000 was recorded in the Statement of Loss which reflected the movement of the Canadian dollar against the US dollar. As at September 30, 2008, the Company's excess cash was held in Canadian dollars.

Liquidity and Capital Resourses

As a mining exploration company without significant revenues, the Company's operations are dependent on its ability to raise financing and its ability to realize assets and discharge liabilities.

The Company's cash position including its short term investments as at September 30, 2008 was $14,700,000 (December 31, 2007 - $19,600,000) and its working capital was $13,400,000 (December 31, 2007 - $19,300,000). The cash and cash equivalents are held in current Money Market accounts which are guaranteed by a major Canadian bank. The short term investments comprise a GIC and a bankers acceptance with Schedule 1 Canadian banks maturing by February 2009.

In March 2008, the Company acquired 480 acres of surface rights for $1,300,000. In April 2008, the Company acquired a further 1,320 acres of surface rights and paid $1,600,000 and has a further commitment of US$1,650,000 due in April 2009 or the 1,320 acres revert to 440 acres.

Management believes the cash position will fund the Company's current minimum operating budgets and will cover administrative expenses for at least another twelve months.

During 2008, 8,772,086 warrants (2007 – 6,388,753) and 235,000 stock options (2007 – 2,175,000) were exercised for cash proceeds of $13,800,000 (2007 - $5,200,000). Furthermore in 2007, the Company completed a brokered private placement for net cash proceeds of $14,700,000.

As at November 7, 2008, the Company had issued and outstanding 80,349,056 common shares together with 10,763,617 common shares reserved for warrants (including 1,340,000 compensation units) and 7,405,000 stock options outstanding which, if exercised, would amount to a fully diluted position of 98,517,673 common shares.

Related Party Transaction

During the three and nine months ended September 30, 2008, the Company incurred consulting expenses amounting to $nil (three and nine months ended September 30, 2007 - $nil and $104,310 respectively) with Select Resources Corporation which company had commonality of officers with the Company. These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the parties. Included in accounts payable and accrued liabilities at September 30, 2008 was $125,416 (December 31, 2007 - $116,825) of amounts owing to the above-noted related party.

Contractual Obligations

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

The Company is not aware of any provision for such costs and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

The following table summarizes the Company's contractual obligations as at September 30, 2008.

Contractual Obligations	2008 $	2009 $	2010 $	2011 $	2012 $
Mineral leases and permits	85,682	52,232	65,242	80,329	86,830
Surface rights *	-	1,755,930	-	-	-
Drilling	10,600	-	-	-	-
Office and rental leases	65,526	199,514	147,248	73,460	12,043
Total	161,808	2,007,676	212,490	153,789	98,873

* Represents the US$1,650,000 payment due April 2009 for 1,320 acres which revert to 440 acres if the payment is not made.

Critical Accounting Estimates

Use of Estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Management has made a number of significant estimates and assumptions based on present conditions, management's planned course of action, and assumptions about future business and economic conditions. Should the underlying estimates change, the recorded amounts could change by a material amount.

The factors affecting stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend, among other things, upon a variety of factors including the market value of the Company's shares and financial objectives of the holders of the options. The Company uses historical data to determine volatility where possible in accordance with Black-Scholes modeling, however the future volatility is inherently uncertain and the model has its limitations. While these estimates can have a material impact on the stock-based compensation and hence results of operations, there is no impact on the Company's financial condition.

Changes in Accounting Policies

The Company has adopted the following new CICA standards effective for its first quarter commencing on January 1, 2008:

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on October 1, 2007.

Capital Disclosures:

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in note 3 to the interim consolidated financial statements.

Financial Instruments:

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 4 to the interim consolidated financial statements.

Future Accounting Pronouncements

Convergence with International Financial Reporting Standards ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will occur on January 1, 2011 for public entities. The impact of this transition on the Company's consolidated financial statements has not yet been determined; however, management continues to monitor these developments and the CFO has enrolled in education courses regarding IFRS business issues and implementation strategies for mining companies.

Internal Control Risks

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The design of our internal control over financial reporting was assessed as of the date of this MD&A. There was no change in the Company's internal control over financial reporting that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting, however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

Segregation of Duties:

Minor control deficiencies have been identified within the Company's accounting and finance departments and its financial information systems over segregation of duties and user access respectively. Specifically, as is common for companies of this size, certain duties within the accounting and finance departments were not adequately segregated due to the small number of individuals employed in these areas. As the Company incurs future growth, we plan to expand the number of individuals involved in the accounting function. In the first quarter of 2008, the Company hired a Project Controller in Minnesota. At the present time, the CEO and CFO oversee all material transactions and related accounting records. In addition, the Audit Committee reviews on a quarterly basis the financial statements and key risks of the Company and queries management about significant transactions, and there is daily oversight by the senior management of the Company.

Complex and Non-routine Transactions:

As required, the Company records complex and non-routine transactions. These sometimes are extremely technical in nature and require an in-depth understanding of GAAP. The Company's accounting staff has a reasonable knowledge of the rules related to GAAP; however, there is a risk that the reporting and the transactions may not be recorded correctly, potentially resulting in material misstatement of the financial statements of the Company. To mitigate this risk, the Company consults with its third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. In addition, quarterly reviews of the financial statements are completed by the Company's auditors, and an annual audit is completed and presented to the Audit Committee for its review and approval. As the Company incurs future growth, we plan to expand the technical competence of the individuals involved in the accounting function.

Risks and Uncertainties

Business Risks:

The Company's business of mineral exploration has a high level of inherent risk. Although the Company is optimistic about the potential of many of its projects, there is no guarantee that any mineral deposits will be identified or that, if deposits are identified, it will be economically feasible to put them into production. The Company's exploration and development activities may also be affected by environmental risks and permitting, approval and other governmental risks.

The Company's ability to operate as a going concern is dependent on its ability to raise financing to realize assets and to discharge liabilities in the normal course of business.

Foreign Exchange Risk:

The Company is subject to foreign exchange risk as a majority of DMC's expenditures are made in U.S. dollars while financing activities are generally in Canadian dollars. While the Company did keep a significant amount of the spring 2007 financing in US dollars throughout the year to spend on the US property, it has not used financial instruments to mitigate this risk and presently the Company's cash and cash equivalents is in Canadian dollars.

Additional Information

Additional information relating to the Company, including technical reports and its most recent Annual Information Form, is available on the SEDAR website (www.sedar.com) on our website (www.duluthmetals.com).

Forward Looking Statements

This report may contain forward-looking statements (including "forward-looking statements" within the meaning of the US Private Securities Reform Act of 1995) relating to the Company's business and results of operations or to the environment in which it operates. Other than statements of historical fact, all statements are "forward-looking statements" that involve various known and unknown risks, uncertainties and other factors beyond the Company's control. A number of important factors could cause actual outcomes and results to differ materially from those expressed in forward-looking statements, including those set forth in other public filings. Such factors include, without limitation, the various factors set forth in the Business Risks and Uncertainties section of Management's Discussion and Analysis above, and discussed in public disclosure documents filed with regulatory authorities. In addition, such statements relate to the date on which they are made. Consequently, undue reliance should not be placed on such forward-looking statements.

The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, save and except as may be required by applicable securities laws.

DULUTH METALS LIMITED

Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

(Unaudited)

Three and Nine Months Ended September 30, 2008

DULUTH METALS LIMITED
Interim Consolidated Balance Sheets
(Expressed in Canadian Dollars)

	September 30, 2008	December 31, 2007
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 8,672,344**	$ 13,493,948
Short term investments	**6,017,274**	6,093,704
Amounts receivable	**30,528**	32,153
Prepaid expenses	**13,468**	77,640
	14,733,614	19,697,445
Mining interests (note 5)	**2,863,395**	-
Property, plant and equipment	**202,129**	177,535
	$ 17,799,138	$ 19,874,980
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	**$ 1,352,255**	$ 392,828
Shareholders' equity:		
Share capital (note 6)	**46,743,568**	29,195,854
Contributed surplus	**6,002,839**	2,699,929
Warrants (note 8)	**4,240,262**	7,390,402
Deficit	**(40,539,786)**	(19,804,033)
	16,446,883	19,482,152
	$ 17,799,138	$ 19,874,980

Contingencies and Contractual Commitments (note 10)
See accompanying notes to unaudited interim consolidated financial statements.

DULUTH METALS LIMITED

Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Income:				
Interest	**$ 113,785**	$ 227,507	**$ 442,614**	$ 436,806
Foreign exchange gain (loss)	**(33,782)**	(755,418)	**143,146**	(1,278,116)
	80,003	(527,911)	**585,760**	(841,310)
Expenses:				
Mining exploration	**4,416,665**	2,273,756	**14,457,278**	7,058,035
Stock-based compensation (note 7)	**1,029,768**	781,770	**3,383,958**	1,345,450
General and administration	**906,845**	690,847	**2,966,477**	2,090,032
Depreciation and amortization	**16,951**	12,735	**43,800**	25,130
	6,370,229	3,759,108	**20,851,513**	10,518,647
Loss and comprehensive loss for the period	**$ (6,290,226)**	$ (4,287,019)	**$ (20,265,753)**	$ (11,359,957)
Loss per share - basic and diluted	**$ (0.08)**	$ (0.06)	**$ (0.26)**	$ (0.20)
Weighted average number of common shares	**79,908,324**	67,904,368	**77,629,233**	57,520,595

See accompanying notes to unaudited interim consolidated financial statements.

DULUTH METALS LIMITED

Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Share capital (note 6)				
Balance, beginning of period	**$ 45,491,646**	$ 21,861,088	**$ 29,195,854**	$ 9,541,245
Private placements	**-**	-	**-**	15,525,000
Exercise of warrants	**888,422**	1,594,467	**13,713,027**	4,578,876
Transfer from warrants	**264,929**	471,514	**3,621,043**	1,171,057
Exercise of stock options	**60,000**	209,000	**133,499**	570,200
Transfer from contributed surplus	**38,571**	115,990	**83,825**	292,113
Allocation of value to warrants issued	**-**	(63,340)	**(3,680)**	(6,711,623)
Share issuance costs	**-**	30,016	**-**	(748,133)
Balance, end of period	**$ 46,743,568**	$ 24,218,735	**$ 46,743,568**	$ 24,218,735
Shares to be issued				
Balance, beginning of period	**$ -**	$ 227,223	**$ -**	$ -
Changes during the period	**-**	(227,223)	**-**	-
Balance, end of period	**$ -**	$ -	**$ -**	$ -
Contributed surplus				
Balance, beginning of period	**$ 5,011,642**	$ 1,364,724	**$ 2,699,929**	$ 977,167
Value of stock-based compensation	**1,029,768**	781,770	**3,383,958**	1,345,450
Value of options exercised	**(38,571)**	(115,990)	**(83,825)**	(292,113)
Value of expired warrants	**-**	**-**	**2,777**	-
Balance, end of period	**$ 6,002,839**	$ 2,030,504	**$ 6,002,839**	$ 2,030,504
Warrants (note 8)				
Balance, beginning of period	**$ 4,035,191**	$ 8,813,391	**$ 7,390,402**	$ 2,864,651
Warrants issued	**-**	63,340	**3,680**	6,711,623
Warrants exercised	**(264,929)**	(471,514)	**(3,621,043)**	(1,171,057)
Warrants expired	**-**	-	**(2,777)**	-
Modification of warrants	**470,000**	-	**470,000**	-
Balance, end of period	**$ 4,240,262**	$ 8,405,217	**$ 4,240,262**	$ 8,405,217
Deficit				
Balance, beginning of period	**$ (33,779,560)**	$ (11,083,929)	**$ (19,804,033)**	$ (4,010,991)
Modification of warrants (note 8)	**(470,000)**	-	**(470,000)**	-
Loss for the period	**(6,290,226)**	(4,287,019)	**(20,265,753)**	(11,359,957)
Balance, end of period	**$ (40,539,786)**	$ (15,370,948)	**$ (40,539,786)**	$ (15,370,948)

See accompanying notes to unaudited interim consolidated financial statements.

DULUTH METALS LIMITED
Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Cash flows from operating activities:				
Loss for the period	**$ (6,290,226)**	$ (4,287,019)	**$ (20,265,753)**	$ (11,359,957)
Adjustments for:				
Stock-based compensation (note 7)	**1,029,768**	781,770	**3,383,958**	1,345,450
Depreciation and amortization	**16,951**	12,735	**43,800**	25,130
Foreign exchange (gain) loss	**27,080**	846,835	**40,092**	1,280,685
	(5,216,427)	(2,645,679)	**(16,797,903)**	(8,708,692)
Changes in non-cash working capital:				
Amounts receivable	**4,062**	54,402	**1,625**	10,683
Prepaid expenses	**9,647**	19,856	**64,172**	470,708
Accounts payable and accrued liabilities	**(245,807)**	(89,147)	**959,427**	927,597
	(5,448,525)	(2,660,568)	**(15,772,679)**	(7,299,704)
Cash flows from financing activities:				
Issuance of share capital, net of issuance costs	**948,422**	1,833,483	**13,846,526**	19,925,943
Shares to be issued	**-**	(227,223)	**-**	-
	948,422	1,606,260	**13,846,526**	19,925,943
Cash flows (used in) provided from investing activities:				
Mining interests (note 5)	**-**	-	**(2,863,395)**	-
Property, plant and equipment acquisitions	**(7,851)**	(43,970)	**(68,394)**	(95,720)
(Purchase) redemption of short term investments	**(6,017,274)**	-	**76,430**	-
	(6,025,125)	(43,970)	**(2,855,359)**	(95,720)
Net increase (decrease) in cash and cash equivalents	**(10,525,228)**	(1,098,278)	**(4,781,512)**	12,530,519
Cash and cash equivalents, beginning of period	**19,224,652**	22,137,524	**13,493,948**	8,942,577
Effect of exchange rate changes on cash held in foreign currencies	**(27,080)**	(846,835)	**(40,092)**	(1,280,685)
Cash and cash equivalents, end of period	**$ 8,672,344**	$ 20,192,411	**$ 8,672,344**	$ 20,192,411

See accompanying notes to unaudited interim consolidated financial statements.

DULUTH METALS LIMITED
Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Cash and cash equivalents consist of:				
Cash	**$ 945,170**	$ 528,360	**$ 945,170**	$ 528,360
Cash equivalents	**7,721,102**	19,624,574	**7,721,102**	19,624,574
Cash held in trust	**6,072**	39,477	**6,072**	39,477
	$ 8,672,344	$ 20,192,411	**$ 8,672,344**	$ 20,192,411
Supplemental cash information:				
Interest paid	**$ -**	$ -	**$ -**	$ -
Taxes paid	**$ -**	$ -	**$ 25,029**	$ -

See accompanying notes to unaudited interim consolidated financial statements.

1. Nature of Operations

Duluth Metals Limited (the "Company") was incorporated on March 8, 2005 under the laws of Ontario and is engaged in the business of acquiring and exploring mineral properties. In 2006 the Company acquired mining properties from Wallbridge Mining Company Limited ("Wallbridge"). To date, the Company has not earned significant revenues and is considered an exploration stage company.

In order to meet future expenditures and cover administrative costs, the Company will need to raise additional financing. The Company has had recurring losses and will require additional financing to fund its continuing exploration efforts. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These interim consolidated financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Other than the current economic slowdown, management is not aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

In the event the Company is not able to obtain adequate funding, there is uncertainty as to whether the Company will be able to maintain and complete the acquisition and development of its property interests. These interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write downs of the carrying values of certain assets.

2. Basis of Presentation and Accounting Policies

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended September 30, 2008 may not necessarily be indicative of the results that may be expected for the year ended December 31, 2008.

The balance sheet at December 31, 2007 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended December 31, 2007, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2007.

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

2. Basis of Presentation and Accounting Policies (Continued)

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in note 3 to these interim consolidated financial statements.

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 4 to these interim consolidated financial statements.

Future accounting pronouncements

Convergence with International Financial Reporting Standards ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will occur on January 1, 2011 for public entities. The impact of this transition on the Company's consolidated financial statements has not yet been determined; however, management continues to monitor these developments and the CFO has enrolled in education courses regarding IFRS business issues and implementation strategies for mining companies.

3. Capital Management

The Company considers its capital structure to consist of share capital, contributed surplus and warrants. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support the acquisition, exploration and development of mining interests. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties, in which the Company currently has an interest, are in the exploration stage; as such the Company is dependent on external equity financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three and nine months ended September 30, 2008. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

4. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist mainly of money market deposits and term deposits. The Company manages credit risk by maintaining bank accounts with Schedule I banks, from which management believes the risk of loss to be remote. Amounts receivable consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to amounts receivable is remote. The Company does not hold any non-bank asset backed commercial paper.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2008, the Company had cash and short term investment balances of $14,689,618 (December 31, 2007 - $19,587,652) to settle current liabilities of $1,352,255 (December 31, 2007 - $392,828). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Short term investments comprise a GIC and a banker's acceptance held with schedule I banks maturing by February 2009 and are recorded at fair value.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

(b) Foreign currency risk

Financial instruments potentially exposing the Company to foreign exchange risk consist principally of cash and cash equivalents and accounts payable and accrued liabilities. Presently, the Company does not maintain U.S. cash on hand to support U.S. forecasted cash outflows. The Company believes that the results of operations and cash flows would be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its U.S. dollar-denominated obligations.

4. Financial Risk Factors (Continued)

Market risk (Continued)

(c) Price risk

The Company does not hold any financial instruments that expose it to commodity or equity price risks. In the future the Company may be exposed to these risks with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of copper, nickel, platinum group metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

The Company classified its cash and cash equivalents and short term investments as held-for-trading, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying values of cash and cash equivalents, short term investments, amounts receivable, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period.

Cash equivalents include deposits at call which are at variable interest rates, and short term investments mature by February 2009 with fixed interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect net loss and comprehensive loss by approximately $37,000 with all other variables held constant.

The Company is exposed to foreign currency risk on fluctuations related to cash and short term investment balances and accounts payable and accrued liabilities that are denominated in U.S. dollars. Total net cash and cash equivalents and accounts payable and accrued liabilities amounted to a net asset of US$31,641. Sensitivity to a plus or minus 20% change in the foreign exchange rate would affect net loss and comprehensive loss by approximately $6,000 with all other variables held constant.

5. Mining interests

In March 2008, the Company acquired 480 acres of surface rights for $1,306,110. In April 2008, the Company acquired a further 1,320 acres of surface rights and paid $1,557,285 and has a further commitment of US$1,650,000 due in April 2009 or the 1,320 acres revert to 440 acres.

(Expressed in Canadian Dollars)

6. Share Capital

Authorized:
Unlimited common shares

Issued and fully paid - common shares:

	Number of Shares	Amount
Balance, December 31, 2007	71,341,970	$ 29,195,854
Exercise of warrants	8,772,086	13,713,027
Valuation of warrants exercised	-	3,617,363
Exercise of stock options	235,000	133,499
Valuation of stock options exercised	-	83,825
Balance, September 30, 2008	80,349,056	$ 46,743,568

7. Stock Options

The following table shows the continuity of stock options during the period ended September 30, 2008:

	Number of Options	Value	Weighted Average Exercise Price
Balance, December 31, 2007	4,750,000	$ 4,817,829	$ 1.39
Granted	2,890,000	4,828,710	2.64
Exercised	(235,000)	(83,825)	0.57
Balance, September 30, 2008	7,405,000	$ 9,562,714	$ 1.91

During the nine months ended September 30, 2008, 2,890,000 (2007 - 2,765,000) stock options were granted to members of management, board of directors, employees and service providers of the Company. The following weighted average assumptions were used under the Black-Scholes option-pricing model:

	2008	2007
Estimated risk free interest rate	2.82% - 3.36%	4.5%
Expected life	4.7 years	4.5 years
Expected volatility	82%	100%
Expected dividends	$Nil	$Nil

The total value of these options granted in 2008 was $4,828,710. The weighted-average grant date fair value of these options was $1.74 per share.

Stock-based compensation expense for the three and nine months ended September 30, 2008 was $1,029,768 and $3,383,958 (2007 - $781,770 and $1,345,450) respectively.

(Expressed in Canadian Dollars)

7. Stock Options (Continued)

The following are the stock options outstanding at September 30, 2008:

Number of options	Value	Exercise Price	Expiry Date
50,000	$ 5,650	$ 0.30	April 1, 2009
90,000	10,170	0.30	April 7, 2009
483,334	54,614	0.30	April 21, 2009
956,666	369,000	0.60	November 14, 2009
200,000	90,000	0.69	December 7, 2009
150,000	84,900	0.89	January 11, 2010
200,000	161,400	1.27	March 14, 2010
50,000	40,150	1.26	May 7, 2010
40,000	73,920	2.89	July 18, 2010
150,000	69,000	0.60	November 14, 2011
2,145,000	3,775,200	2.30	June 25, 2012
255,000	482,205	2.80	February 11, 2013
1,845,000	3,605,405	3.05	March 10, 2013
190,000	256,500	2.05	August 1, 2013
400,000	293,800	1.48	September 2, 2011
200,000	190,800	1.48	September 2, 2013
7,405,000	$ 9,562,714		

The weighted average exercise price of the options is $1.91. The weighted average remaining contractual life of the options is 3.1 years. As at September 30, 2008, 3,575,833 options were exercisable.

8. Warrants

The following table shows the continuity of Warrants during the period:

	Number of Warrants	Weighted Average Price
Balance, December 31, 2007	18,195,603	$ 1.46
Granted	8,000	1.65
Exercised	(8,772,086)	1.56
Expired	(7,900)	0.80
Balance, September 30, 2008	9,423,617	$ 1.37

The weighted average assumptions used in the Black-Scholes pricing model are as follows:

Estimated risk free interest rate	3.14%
Expected life	3 years
Expected volatility	83%
Expected dividends	$Nil

(Expressed in Canadian Dollars)

8. Warrants (Continued)

The following are the warrants outstanding at September 30, 2008:

Number of Warrants	Value	Exercise Price	Expiry Date
3,510,496	$ 1,621,527	$ 1.10	September 30, 2009 (a)
1,340,000	612,380	1.15	April 23, 2010
3,571,121	1,553,438	1.65	May 2010
1,002,000	452,917	1.65	June 2010
9,423,617	$ 4,240,262		

The weighted average remaining contractual life of the warrants is 1.4 years.

(a) During the three months ended September 30, 2008, the Company obtained regulatory approval to modify the expiry date of warrants by extending the term by one year to September 30, 2009. The Black-Scholes value attributed to this modification was $470,000.

9. Related Party Transactions

During the period, the Company incurred consulting expenses with a related party as follows:

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Select Resources Corporation Commonality of officers with the Company	**$ -**	$ -	**$ -**	$ 104,310

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the parties.

Included in accounts payable and accrued liabilities is $125,416 (December 31, 2007 - $116,825) of amounts owing to the above-noted related party.

10. Contingencies and Contractual Commitments

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

(Expressed in Canadian Dollars)

10. Contingencies and Contractual Commitments (Continued)

The Company is not aware of any provision for such costs and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

The following table summarizes the Company's contractual obligations as at September 30, 2008.

Contractual Obligations	2008	2009	2010	2011	2012
Mineral leases and permits	$ 85,682	$ 52,232	$ 65,242	$ 80,329	$ 86,830
Surface rights (note 5)	-	1,755,930	-	-	-
Drilling	10,600	-	-	-	-
Office and premise leases	65,526	199,514	147,248	73,460	12,043
	$ 161,808	$ 2,007,676	$ 212,490	$ 153,789	$ 98,873