

Consolidated Financial Statements of:

**COREX GOLD CORPORATION**

(An Exploration Stage Company)

**June 30, 2010**

(un-audited prepared by management)

NOTICE TO READERS

CONSOLIDATED BALANCE SHEETS

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Corex Gold Corporation for the six months ended June 30, 2010 have been prepared by and are the responsibility of the Company's management.

These interim consolidated financial statements have not been reviewed by Corex Gold Corporation's external auditors.

**COREX GOLD CORPORATION**  
(An Exploration Stage Company)  
**CONSOLIDATED BALANCE SHEETS**  
June 30, 2010 and December 31, 2009

	<b>June 30</b>	December 31
	<b>2010</b>	2009
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 397,908	\$ 2,221,120
Receivables	24,812	84,804
Prepays - Note 8	68,252	68,126
Marketable securities - Note 5	393	264
	<b>491,365</b>	2,374,314
Equipment - Note 4	254,043	115,784
Resource properties - Notes 6	3,736,073	1,870,584
	<b>\$ 4,481,481</b>	<b>\$ 4,360,682</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Accounts payable and accrued liabilities	\$ 143,391	\$ 138,497
Share capital - Note 7	23,037,255	22,606,896
Contributed surplus - Note 7	1,661,941	1,264,874
Accumulated other comprehensive loss	129	111
Deficit	(20,361,235)	(19,649,696)
Total shareholders' equity	4,338,090	4,222,185
	<b>\$ 4,481,482</b>	<b>\$ 4,360,682</b>

Nature of Operations and Ability to Continue as a Going Concern – Note 1  
Commitments – Notes 6, 8 and 14  
Subsequent events – Note 15

APPROVED BY THE DIRECTORS:

“Craig Schneider” Director  
Craig Schneider

“Alan Hitchborn” Director  
Alan Hitchborn

**COREX GOLD CORPORATION**  
(An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
<b>ADMINISTRATIVE EXPENSES</b>				
Accounting and legal fees	\$ 18,591	\$ —	\$ 23,424	\$ —
Amortization	7,103	1,467	12,477	4,404
Bank charges and interest	762	145	1,522	502
Consulting fees – Note 8	144,303	117,835	269,085	176,709
Filing fees	105	2,518	7,250	8,239
Investor relations, website development and marketing	586	2,691	3,295	10,933
Office and administration	18,883	13,267	41,008	33,097
Rent, net – Note 8	(7,419)	701	(13,470)	4,780
Shareholder communication	4,197	527	6,342	1,656
Stock based compensation	—	134,724	397,067	192,478
Telephone	6,105	5,092	10,498	9,210
Transfer agent fees	1,821	1,039	3,875	1,983
Travel	20,325	12,698	44,801	15,669
Vehicle	—	299	—	535
Wages	10,066	13,132	20,040	24,298
Loss before other items	(225,429)	(306,134)	(827,213)	(484,494)
<b>OTHER ITEMS</b>				
Interest income	538	672	1,549	2,942
Gain on sale of capital assets	9,727	—	9,727	—
Other income	—	65,747	—	65,747
Property evaluation	(5,691)	(7,553)	(5,948)	(11,984)
(Loss) gain on foreign exchange translation	(34,297)	20,613	110,347	13,760
Net Loss for the period	(255,152)	(226,655)	(711,538)	(414,028)
<b>Deficit, beginning of period</b>	\$ (20,106,083)	\$ (18,735,953)	\$ (19,649,696)	\$ (18,548,579)
<b>Deficit, end of period</b>	\$ (20,361,235)	\$ (18,962,608)	\$ (20,361,235)	\$ (18,962,608)
<b>Loss per common share</b>	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
<b>Weighted average number of common shares</b>	\$ 32,448,374	\$ 24,556,970	\$ 32,379,021	\$ 24,556,970

**COREX GOLD CORPORATION**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
<b>Loss for the period before comprehensive loss</b>	\$ (255,152)	\$ (226,655)	\$ (711,538)	\$ (414,028)
Unrealized gain on available for sale investments - Note 5	(117)	1,293	129	1,293
<b>Comprehensive loss for the period</b>	\$ (255,269)	\$ (225,362)	\$ (711,409)	\$ (412,735)

**COREX GOLD CORPORATION**  
(An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for the period	\$ (255,152)	\$ (226,652)	\$ (711,538)	\$ (414,028)
Items not involving cash				
Amortization	7,103	1,467	12,477	4,404
Stockbased compensation	—	134,724	397,067	192,478
	(248,049)	(90,461)	(301,994)	(217,146)
Changes in non-cash working capital items related to operations:				
Receivables	1,858	(2,021)	59,992	(12,520)
Prepaid expenses	90,007	(2,289)	(126)	(2,099)
Accounts payable and accrued liabilities	47,401	(41,982)	4,783	(32,758)
Net cash used in operating activities	(108,783)	(136,753)	(237,345)	(264,523)
<b>Cash Flows From Investing Activities</b>				
Purchase of equipment	(59,081)	(2,146)	(150,737)	(2,146)
Expenditures on mineral properties	(957,224)	(116,991)	(1,865,489)	(145,044)
Net Cash used in investing activities	(1,016,305)	(119,137)	(2,016,225)	(147,190)
<b>Cash Flows from Financing Activities</b>				
Proceeds from issuance of share capital, net of share issue costs	384,698	595,279	430,358	595,279
Net Cash provided used in financing activities	384,698	595,279	430,358	595,279
Increase (decrease) in cash	(740,390)	339,389	(1,823,212)	183,566
Cash and cash equivalents beginning of period	1,138,298	805,464	2,221,120	961,287
Cash and cash equivalents end of period	\$ 397,908	\$ 1,144,853	\$ 397,908	\$ 1,144,853

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**COREX GOLD CORPORATION**  
 (An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three and Six Months Ended</b>	
	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$ —	\$ —
Income taxes		
Non-cash financing and investing activities:		
Transfer of deferred development costs to equipment	\$ —	\$ —
Cash and cash equivalents represented by:		
Cash	\$ 371,458	\$ 1,118,403
Guaranteed Investment Certificates	26,450	26,450
	<b>\$ 397,908</b>	<b>\$ 1,144,853</b>

Non-cash Transactions – Note 9

**COREX GOLD CORPORATION**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Common Shares		Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Number	Amount				
Balance December 31, 2008	22,921,354	\$ 19,333,702	\$ 968,276	(18,548,577)	\$ —	\$ 1,753,401
– return to treasury	(2)	—	—	—	—	—
– pursuant to resource property payment	50,000	18,500	—	—	—	18,500
– pursuant to private placement – at \$0.20	3,000,000	600,000	—	—	—	600,000
– pursuant to private placement – at \$0.50	4,600,000	2,300,000	—	—	—	2,300,000
– pursuant to exercise of warrants– at \$0.32	1,430,000	457,600	—	—	—	457,600
Share issue costs	—	(102,906)	—	—	—	(102,906)
Stock based compensation	—	—	296,598	—	—	296,598
Net loss for the year	—	—	—	(1,101,119)	—	(1,101,119)
Unrealized gain on available-for-sale investments – Note 5	—	—	—	—	111	111
Balance, December 31, 2009	32,001,352	\$ 22,606,896	\$ 1,264,874	\$ (19,649,696)	\$ 111	\$ 4,222,185
– pursuant to exercise of warrants – at \$0.32	1,305,000	417,600	—	—	—	417,600
– pursuant to exercise of options – at \$0.11	116,000	12,760	—	—	—	12,760
Stock based compensation	—	—	397,067	—	—	397,067
Net loss for the period	—	—	—	(711,538)	—	(711,538)
Unrealized gain on available-for-sale investments - Note 5	—	—	—	—	18	18
<b>Balance, June 30, 2010</b>	<b>33,422,352</b>	<b>\$ 23,037,256</b>	<b>\$ 1,661,941</b>	<b>(20,361,234)</b>	<b>\$ 129</b>	<b>\$ 4,338,090</b>

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

## Schedule 1

**COREX GOLD CORPORATION**

(An Exploration Stage Company)  
 Consolidated Schedule of Resource Properties  
 June 30, 2010 and December 31, 2009

		<b>Santana Property Mexico</b>
<b>For the period June 30, 2010</b>		
Acquisition costs, beginning of period	\$	<b>172,401</b>
Shares issued		<b>0</b>
Cash payments		<b>67,686</b>
Acquisition costs, end of period		<b>240,087</b>
Deferred exploration costs, beginning of period		<b>1,698,184</b>
Drilling		<b>419,507</b>
Field supplies and equipment		<b>154,513</b>
Geological consulting – Note 8		<b>160,375</b>
Geological surveys		<b>451,920</b>
Legal		<b>2,571</b>
Taxes and recording fees		<b>309,682</b>
Mapping		<b>51,382</b>
Sampling		<b>63,417</b>
Site visits and vehicle costs – Note 8		<b>184,436</b>
Deferred exploration costs, end of period		<b>3,495,987</b>
<b>Total costs, June 30, 2010</b>	<b>\$</b>	<b>3,736,074</b>

		<b>Santana Property Mexico</b>
<b>For the period December 31, 2009</b>		
Acquisition costs, beginning of period	\$	<b>47,580</b>
Shares issued		18,500
Cash payments		106,321
Acquisition costs, end of year		<b>172,401</b>
Deferred exploration costs, beginning of year		<b>640,142</b>
Drilling		238,151
Field supplies and equipment		98,973
Geological consulting – Note 8		124,130
Geological surveys		274,224
Legal		4,000
Taxes and recording fees		138,425
Mapping		208
Sampling		108,227
Site visits and vehicle costs		70,378
Trenching and roadwork		1,325
Deferred exploration costs, end of period		1,698,183
<b>Total costs, December 31, 2009</b>	<b>\$</b>	<b>1,870,584</b>

**1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN**

The Company is incorporated under the Company Act of British Columbia, is in the exploration stage and its shares are publicly traded on the TSX Venture Exchange under the symbol CGE.

The Company's resource properties are without a known body of commercial ore. The business of exploring for resources and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The recoverability of the amount shown for resource properties is dependent upon the ability of the Company to obtain the necessary financing to complete the exploration and development of the properties, discovery of economically recoverable reserves and future profitable production. There is no assurance that the Company will be successful in recovering the amounts shown for resource properties.

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities and commitments in the ordinary course of business. At June 30, 2010, the Company has recurring losses, has an accumulated deficit of \$20,361,235 and has not generated cash from operating activities since inception with the exception of the proceeds from a bulk sampling program. The Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

**2. BASIS OF PRESENTATION**

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

These unaudited interim consolidated financial statements do not contain all of the information required for annual financial statements and they should be read in conjunction with the Company's annual audited financial statements for the fiscal year ended December 31, 2009. All material adjustments, which in the opinion of management are necessary for a fair presentation of the results of the interim periods, have been reflected.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The results for the six months ended June 30 2010 are stated utilizing the same accounting policies and methods of application as the most recent annual audited financial statements, but are not necessarily indicative of the results to be expected for the full year.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Recently Released Accounting Pronouncements**

*i) Business Combinations*

In January 2009, the CICA issued Section 1582 – Business Combinations, which replaces Section 1581 – Business Combinations, and Section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests, which replace Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. As well acquisition costs are not part of the consideration and are to be expensed when incurred. These new sections are not expected to have a material impact on the Company’s financial condition or operating results.

*ii) International Financial Reporting Standards (“IFRS”)*

In 2006, The Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

**4. EQUIPMENT**

	<b>June 30, 2010</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Field equipment	203,437	70,531	132,906
Furniture and equipment	18,575	641	17,934
Computer equipment	110,014	16,845	93,168
Leasehold improvements	10,561	527	10,034
<b>Total</b>	<b>342,587</b>	<b>88,544</b>	<b>254,043</b>

**COREX GOLD CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(An Exploration Stage Company)  
June 30, 2010

**4. EQUIPMENT (cont'd)**

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Field equipment	\$136,911	\$70,531	\$66,380
Furniture and equipment	11,831	11,040	791
Computer equipment	68,785	20,172	48,613
Vehicles	26,221	26,221	—
<b>Total</b>	<b>\$243,748</b>	<b>\$127,964</b>	<b>\$115,784</b>

**5. MARKETABLE SECURITIES**

	30-Jun-10			31-Dec-09		
	No. of Shares	Cost	Fair Value	No. of Shares	Cost	Fair Value
<b>Hemis Gold Corporation</b>		<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>\$</b>
- Shares available for sale	25,000	12,496	79	25,000	12,496	54
- Restricted shares <sup>1</sup>	100,000	30,000	314	100,000	30,000	210
<b>Total</b>	<b>125,000</b>	<b>42,496</b>	<b>393</b>	<b>125,000</b>	<b>42,496</b>	<b>264</b>

<sup>(1)</sup> These shares are restricted from resale.

**6. RESOURCE PROPERTIES**

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge titles to all of its properties are in good standing.

**MEXICO**

**Santana Property**

On December 11, 2007 the Company signed two property option agreements under which it collectively holds rights to acquire a 100% interest in two contiguous mining concessions. In addition to the concessions under option Corex has staked two additional contiguous concessions and all four are collectively known as the "Santana Property". The Santana Property covers approximately 7,000 hectares and is located approximately 200 kilometers east-southeast of Hermosillo, Sonora, Mexico. Terms of the above stated option agreements are as follows:

**6. RESOURCE PROPERTIES (cont'd)**

**MEXICO (cont'd)**

**Santana Property (cont'd)**

**A) Santa Lucia – Option to Purchase Agreement**

<u>Amount</u>	<u>Due date</u>	
US\$ 3,000	December 11, 2007	(Paid in 2008)
5,000	June 11, 2008	(Paid)
5,000	December 11, 2008	(Paid)
10,000	June 11, 2009	(Paid)
10,000	December 11, 2009	(Paid)
15,000	June 11, 2010	(Paid)
<u>202,000</u>	December 11, 2010	
<u>US\$ 250,000</u>		

**B) Hilda 35 Fraccion 1 - Option to Purchase Agreement**

<u>Amount</u>	<u>Due date</u>	
US\$ 6,000	December 11, 2007	(Paid in 2008)
10,000	June 11, 2008	(Paid)
15,000	December 11, 2008	(Paid)
20,000	June 11, 2009	(Paid)
30,000	December 11, 2009	(Paid)
50,000	June 11, 2010	(Paid)
75,000	December 11, 2010	
75,000	June 11, 2011	
<u>719,000</u>	December 11, 2011	
<u>US\$ 1,000,000</u>		

The Hilda 35 Fraccion 1 is also subject to a 2% net smelter return (NSR). Each 1% NSR can be purchased for US\$1,000,000 within the three years following the conclusion of the feasibility study with positive results.

On July 22, 2009 Corex and Virgin Metals Inc. ("Virgin") signed an option agreement under which Corex's Mexican subsidiary was granted an option to acquire from Virgin's Mexican subsidiary a 100% interest in three concessions (the "Hilda Concessions") covering 722 ha. that are contiguous to the northern boundary of Corex's Santana property. To acquire the Hilda Concessions Corex must pay Virgin a total of \$340,000, issue Virgin 500,000 common shares and incur \$450,000 in exploration expenditures on the Hilda Concessions over a three year period.

Under the option agreement, Corex paid Virgin \$25,000 upon execution (paid) and must issue Virgin 50,000 shares upon TSX Venture Exchange acceptance of the agreement (issued on July 30, 2009). In order to exercise the option, Corex must make payments, issue shares, and incur exploration expenditures as follows:

By July 22, 2010	pay \$35,000, issue 100,000 shares, incur \$100,000 in expenditures (see Note 15 – Subsequent Events)
By July 22, 2011	pay \$50,000, issue 150,000 shares, incur \$150,000 in expenditures
By July 22, 2012	pay \$230,000, issue 200,000 shares, incur \$200,000 in expenditures
<u>Total</u>	<u>pay \$315,000, issue 450,000 shares, incur \$450,000 in expenditures</u>

**6. RESOURCE PROPERTIES (cont'd)**

**MEXICO (cont'd)**

**Santana Property (cont'd)**

Upon exercise of the option Virgin will retain a 2% NSR royalty on the Hilda Concessions, which can be acquired by Corex at any time for US\$1,500,000. Under the option agreement Virgin has rights to back-in and acquire any mineralized zones on the Hilda Fracc 2 concession that contain copper and molybdenum mineralization assaying not less than 0.05% Mo, provided the zone does not also contain gold mineralization assaying greater than 0.2 g/t Au, by paying Corex three times Corex's exploration expenditures on the ground acquired by Virgin.

The San Lucia, Hilda 35 Fraccion 1 and Hilda Concessions, are collectively referred to as the Santana Property.

**7. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

During the period ended June 30, 2010 the Company did not complete any financings.

During the year ended December 31, 2009 the Company completed the following financings:

On June 12, 2009 the Company completed a non-brokered private placement of 3,000,000 Units, at \$0.20 per unit for total gross proceeds of \$600,000. Each unit consisted of one common share and one share purchase warrant, exercisable by the holder to acquire one additional common share at a price of \$0.32 in year one and \$0.45 in year two. The warrants are subject to an accelerated expiry which comes into effect once the shares trade above a weighted average price of \$0.50 for any twenty consecutive trading-day period in year one, or \$0.65 for any twenty consecutive trading-day period in year two, subsequent to four months from Closing. In the event of an accelerated expiry, the expiry date will be the earlier of the regular two year expiry date and 30 days from the date the Company advises the placees of the accelerated expiry.

On September 23, 2009 the Company completed a non-brokered private placement for 4,600,000 units at a price of \$0.50 per unit, for aggregate gross proceeds of \$2,300,000. Each unit consisted of one common share and one warrant, exercisable by the holder to acquire one additional common share at a price of \$0.70 for 24 months from Closing. The warrants are subject to an accelerated expiry which comes into effect once the shares trade above a weighted average price of \$1.00 for any twenty consecutive trading-day period, subsequent to four months from Closing. In the event of an accelerated expiry, the expiry date will be the earlier of the regular two year expiry date and 30 days from the date the Company advises the placees of the accelerated expiry.

**Escrowed Shares:**

As at June 30, 2010 and December 31, 2009 5,625 shares are held in escrow, subject to release by regulatory approval.

**Commitments:**

**a) Stock-based Compensation Plan:**

The Company has a stock option plan (the "Plan") for officers, directors, employees and consultants whereby a maximum of 10% of the issued shares will be reserved for issuance under the Plan. Options are granted with an exercise price determined by the Board of Directors, which may not be less than the market price of the Company's stock on the date of the grant. The vesting provisions are determined by the Board of Directors and are defined in each stock option agreement.

**COREX GOLD CORPORATION**  
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**7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd)**

Commitments: (cont'd)

a) Stock-based Compensation Plan: (cont'd)

	Number	Weighted Average Exercise Price	Weighted Average Life
Balance, December 31, 2008	1,060,000	\$0.69	3.00 years
Granted	1,000,000	\$0.11	
Granted	250,000	\$0.25	
Granted	300,000	\$0.35	
Granted	90,000	\$0.43	
Balance, December 31, 2009	2,700,000		
Expired	-30,000		
Granted	610,000	\$0.80	
Exercised	-116,000	\$0.11	
Balance, June 30, 2010	3,164,000	\$0.32	4.17

At June 30, 2010, 2,700,000 stock options were outstanding and exercisable under the Plan as follows:

Number	Exercise price	Expiry Date
360,000	\$0.20	Oct 3/10
335,000	\$0.20	Feb 14/12
335,000	\$0.20	Feb 5/13
884,000	\$0.11	Feb 2/14
250,000	\$0.25	May 27/14
300,000	\$0.35	Jun 18/14
90,000	\$0.43	Aug 11/14
610,000	\$0.80	Mar 24/15
3,164,000		

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

Commitments: (cont'd)

a) Stock-based Compensation Plan: (cont'd)

During the period ended June 30, 2010, a compensation charge associated with the granting of stock options under the Plan in the amount of \$397,067 (2009 - \$192,478) was recognized in the financial statements. For purposes of these calculations, the following assumptions were used for the Black-Scholes model:

	June 30, 2010	June 30, 2009
Risk-free interest rate	2.86	2.2% - 2.65
Expected dividend yield	0%	0%
Expected stock price volatility	114.57	107.43 – 115.04%
Expected option life	5 years	5 years

During the period ended June 30, 2009 the Company re-priced 1,060,000 options with exercise prices of \$0.40 - \$1.04 per share to an exercise price of \$0.20 per share. The incremental fair value of stock-based compensation adjustment in the amount of \$29,626 was been recorded as a credit with the offsetting entry to contributed surplus. This incremental value was measured by the difference between the fair value of the modified stock options and the value of the old options immediately before its terms were modified. This value is estimated at the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	June 30, 2010	June 30, 2009
Risk-free interest rate	—	1.35-2.2%
Expected dividend yield	—	0%
Expected stock price volatility	—	103.23 – 119.72%
Expected option life	—	1.67 – 4.01 years

b) Share Purchase Warrants:

At June 30 2010, share purchase warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Number	Price Per Share	Expiry Date
265,000	\$0.45	June 12, 2011
4,600,000	\$0.70	September 23, 2011

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

A summary of the changes in the Company's share purchase warrants outstanding for the period ended June 30, 2010 is as follows:

	Number	Weighted Average Exercise Price	Weighted Average Life
Balance, December 31, 2008	3,169,200	\$1.21	0.43 years
Expired	(3,169,200) <sup>(1)</sup>	\$1.21	0.43 years
Issued	3,000,000	\$0.32	2.00 years
Issued	4,600,000	\$0.70	2.00 years
Exercised	(1,430,000)	\$0.32	2.00 years
Balance, December 31, 2009	6,170,000	\$0.55	2.00 years
Exercised	(1,305,000)	\$0.32	2.00 years
Balance, June 30, 2010	4,865,000	\$0.69	1.75 years

**8. RELATED PARTY TRANSACTIONS**

The Company incurred the following amounts charged by (to) directors/officers of the Company and companies controlled by directors/officers of the Company for the period ended:

	June 30 2010	June 30 2009
Deferred exploration costs		
Geological consulting fees	\$ 71,285	\$ 9,150
Consulting fees	201,399	76,584
Rent (recovery)	(47,885)	(27,384)
	<u>\$ 224,799</u>	<u>\$ 50,350</u>

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

At June 30, 2010, prepaids include \$19,040 (December 31, 2009 - \$17,850) of consulting fees paid to a director and officer of the Company.

At December 31, 2009 accounts payable includes \$5,119 of consulting fees owing to a company controlled by an officer of the Company.

**9. NON-CASH TRANSACTIONS**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flows. During the six month period ended June 30 2010, and June 30, 2009 the Company did not enter into any non cash transactions

**10. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of the cash and cash equivalents, receivables, accounts payable and accrued liabilities, approximate carrying value because of the short term nature of these instruments.

The fair value hierarchy of financial instruments measured at fair value on the balance sheet is as follows:

	June 30 2010	December 31 2009
	Level 1	Level 1
Cash and cash equivalents	\$297,908	\$2,221,120
Marketable securities	393	264
<b>Total</b>	<b>\$1,138,808</b>	<b>\$2,221,384</b>

The Company does not have Level 2 or Level 3 inputs as described in the Company's accounting policies.

Of the financial assets listed above, \$14,737 (2009 - \$1,331,683) represents cash held in United States dollars, and \$45,555 (2009 - \$18,934) represents cash held in Mexican Pesos. The remaining cash is held in Canadian dollars.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at June 30, 2010 the Company was not exposed to any significant credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the period in the financial statements is interest income on Canadian dollar cash. As at June 30, 2010, the Company's cash was subject to or exposed to interest rate risk, however, this risk is not significant.

**Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balance to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options

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

**Currency risk**

Cash held in foreign currencies other than the Canadian dollar is subject to currency risk. The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk.

At June 30 2010, approximately 1% (December 31, 2009 – 3%) of the Company's accounts payable and accrued liabilities are denominated in Mexican Pesos. The Company does not use derivative instruments or foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

**11. CAPITAL DISCLOSURE**

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition and exploration of mineral properties. The Company's primary objectives in managing capital are to:

- Safeguard the entity's ability to continue as a going concern,
- Maintain an optimal capital base in order to support the capital requirements of its operations, including growth opportunities and maintaining investor confidence.

The capital of the Company consists of shareholders' equity. 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 Company is not subject to any externally imposed capital requirements. The Company relies on capital markets to support continued growth.

**12. SEGMENTED INFORMATION**

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector relating to gold exploration. Due to the geographic and political diversity, the Company's exploration operations are decentralized whereby an exploration manager is responsible for business results and a regional corporate office provides support to the exploration programs in addressing local and regional issues. The Company's operations are therefore segmented on a district basis. The Company's assets are located in Canada and Mexico.

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**12. SEGMENTED INFORMATION (cont'd)**

Details of identifiable assets by geographic segments are as follows:

	<b>June 30, 2010</b>		<b>December 31, 2009</b>	
Total Assets				
Canada	\$	1,110,312	\$	2,087,619
Mexico		3,117,125		2,273,063
	\$	4,227,438	\$	4,360,682

	<b>June 30, 2010</b>		<b>December 31, 2010</b>	
	<b>2010</b>		<b>2009</b>	
Property and Equipment				
Canada	\$	121,137	\$	49,405
Mexico		132,906		66,379
	\$	254,043	\$	115,784

**13. COMPARATIVE FIGURES**

Certain financial statement line items from the prior period have been reclassified to conform with current period's presentation.

**14. COMMITMENTS**

Effective August 1, 2005 the Company entered into a three-year lease agreement for the Company's current office space at a rate of \$3,000 per month. The Company leases out a portion of the office for rent and administration staff for \$4,000/month under an agreement for the term of the head lease. By a Lease Extension and Amending Agreement dated May 27, 2008, the Term of the Lease was extended for a further term of two years, so as to end on July 31, 2010. The parties have agreed to relocate the Leased Premises and extend the Terms of the Lease for a term of three years, commencing April 1, 2010, so as to end March 31, 2013. For the period between April 1, 2010 and March 31, 2013, the amount of \$46,664 per annum, in equal monthly instalments of \$3,889 each and payable on the first day of each month.

2010	\$	40,112
2011		46,668
2012		46,668
2013		11,667
	\$	<u>145,115</u>

**15. SUBSEQUENT EVENTS**

Subsequent to June 30, 2010 the Company:

- Issued 100,000 common shares in connection with the Santana Property – See Note 6 – Resource Properties;
- Completed a non-brokered private placement for 6,400,000 units of the Company at a price of \$0.68 per unit (“Unit) for gross proceeds of \$4,352,000. Each Unit consists of one common share of the Company (a “Common Share”) and one-half of one transferable Common Share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder, on exercise thereof, to purchase one additional Common Share at a price of \$0.90 for a period of 24 months from completion of the Offering. Finders’ fees of 6% cash and 6% warrants (“Finders Warrant”) and an advisory fee were paid on a portion of the Offering, in accordance with the policies of the Exchange. Each Finders Warrant entitles the holder to purchase one common share (a “Finders Share”) at a price of \$0.68 per Finder Share for a period of 24 months from closing of the Offering for aggregate cash payments of \$132,360 and 47,294 Finders Warrants.