SUTTER GOLD MINING INC.

Consolidated Financial Statements

June 30, 2009

(Expressed in US Dollars unless otherwise noted)

(Unaudited)

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

NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements.

Sutter Gold Mining Inc. Trading Symbol: SGM

Head Office:

165 South Union Blvd, Suite 565
Lakewood, CO, USA, 80228
Telephone: 303-238-1438
Facsimile: 303-238-1724

SUTTER GOLD MINING INC.

CONSOLIDATED BALANCE SHEETS

(Expressed in US Dollars)

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
CURRENT ASSETS		
Cash and cash equivalents	$ 348,400	$ 1,716,200
Accounts receivable	19,200	10,700
Prepaid expenses	70,900	4,500
Total current assets	438,500	1,731,400
RECLAMATION BOND (Note 3)	27,000	27,000
MINERAL PROPERTIES (Note 5)	806,300	806,300
PROPERTY AND EQUIPMENT (NET) (Note 4)	558,500	542,400
	$ 1,830,300	$ 3,107,100
CURRENT LIABILITIES		
Accounts payable	$ 189,700	$ 117,200
Due to related parties (Note 6)	1,100	3,200
Leases payable	67,000	67,000
Total current liabilities	257,800	187,400
RECLAMATION LIABILITY	23,300	23,300
	281,100	210,700
SHAREHOLDERS' EQUITY		
Deficit	(29,262,600)	(27,869,200)
Common shares (Note 7)	23,945,500	23,945,500
Preference shares (Note 7)	211,200	211,200
Contributed surplus (Note 7)	6,655,100	6,608,900
Total Shareholders' equity	1,549,200	2,896,400
	$ 1,830,300	$ 3,107,100

Continuing operations (Note 1)

Approved by the Board of Directors

"A. Clayr Alexander" Director

"Mark T Brown" Director

SUTTER GOLD MINING INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Expressed in US Dollars)

(Unaudited)

	For the Three Months Ended June 30, 2009	For the Three Months Ended June 30, 2008	For the Six Months Ended June 30, 2009	For the Six Months Ended June 30, 2008
OPERATING REVENUES				
Lease revenue	$ 16,500	$ 7,400	$ 20,100	$ 13,900
Equipment rental	-	300	-	1,500
	16,500	7,700	20,100	15,400
OPERATING COSTS AND EXPENSES				
Cost of tourism operations	100	1,000	200	1,800
Depreciation	13,600	11,900	24,900	24,600
Exploration of mining properties	-	800	-	800
Investor relations	12,700	3,300	19,900	4,700
Management fees	5,400	600	9,800	1,900
Mine and property holding costs	32,300	23,500	76,100	23,500
Office & miscellaneous	50,300	27,400	105,900	45,500
Permits & lease payments	11,600	100	12,900	1,800
Feasibility study	279,900	-	537,200	-
Professional & contract services	43,800	52,700	85,000	101,500
Rent & electricity	16,500	3,800	24,800	6,500
Stock-based compensation	14,400	14,700	46,200	14,700
Transfer & listing fees	6,600	2,200	15,400	12,700
Travel & entertainment	25,100	2,400	37,100	9,100
Wages & benefits	218,500	28,500	416,300	50,500
	730,800	172,900	1,411,700	299,600
OPERATING LOSS	(714,300)	(165,200)	(1,391,600)	(284,200)
OTHER INCOME AND (EXPENSES)				
Loss on foreign exchange	(3,000)	1,900	(3,700)	(5,200)
Gain on sale of marketable securities	-	17,400	-	24,300
Gain on optioned property (Note 5)	-	-	-	22,200
Other	-	-	-	3,800
Interest income	200	1,100	2000	3,200
Interest expense	-	(500)	(100)	(1,100)
	(2,800)	19,900	(1,800)	47,200
NET LOSS	(717,100)	(145,300)	(1,393,400)	(237,000)
DEFICIT, BEGINNING OF PERIOD	(28,545,500)	(26,407,000)	(27,869,200)	(26,315,300)
DEFICIT, END OF PERIOD	$ (29,262,600)	$ (26,552,300)	$ (29,262,600)	$ (26,552,300)
NET LOSS PER SHARE	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	102,475,427	78,282,045	102,475,427	78,282,045

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

SUTTER GOLD MINING INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND OTHER ACCUMULATED COMPREHENSIVE LOSS

(Expressed in US Dollars)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net loss and comprehensive loss for the period	$ (717,100)	$ (145,300)	$ (1,393,400)	$ (237,000)
Accumulated other comprehensive income, beginning of the period	$ -	$ -	$ -	$ 47,100
Sale of marketable securities	-	-	-	(47,100)
Other comprehensive income for the period	-	-	-	-
Accumulated other comprehensive income, end of period	$ -	$ -	$ -	$ -

SUTTER GOLD MINING INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US Dollars)

(Unaudited)

	For the Three Months Ended June 30, 2009	For the Three Months Ended June 30, 2008	For the Six Months Ended June 30, 2009	For the Six Months Ended June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	$ (717,100)	$ (145,300)	$ (1,393,400)	$ (237,000)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation	13,600	11,900	24,900	24,600
Stock-based compensation	14,400	14,700	46,200	14,700
Gain on sale of marketable securities	-	(17,400)	-	(24,300)
Net changes in components of working capital:				
Accounts receivable	(13,100)	1,100	(8,500)	51,400
Prepaid expenses	4,800	20,100	(66,400)	(30,200)
Accounts payable	(32,900)	(69,100)	73,500	(55,000)
Due to/from related parties	(2,500)	(6,100)	(3,100)	244,600
NET CASH USED IN OPERATING ACTIVITIES	(732,800)	(190,100)	(1,326,800)	(11,200)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of properties and equipment	(400)	-	(41,000)	-
NET CASH USED IN INVESTING ACTIVITIES	(400)	-	(41,000)	-
CASH FLOWS FROM FINANCING ACTIVITES				
Proceeds from sale of marketable securities	-	98,800	-	221,900
Notes Payable	-	(11,600)	-	11,600
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	87,200	-	233,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(733,200)	(102,900)	(1,367,800)	222,300
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,081,600	351,500	1,716,200	26,300
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 348,400	$ 248,600	$ 348,400	$ 248,600

Supplemental disclosure of cash flow information (Note 8)

SUTTER GOLD MINING INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2009

(Expressed in US Dollars)

	Number of Preferred Shares	Preference Shares	Number of Common Shares	Share Capital	Contributed Surplus	Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balance, December 31, 2007	254,414	$ 211,200	78,282,045 *	$ 22,015,300	$ 5,811,300	$ 47,100	$ (26,315,300)	$ 1,769,600
Issued for private placement (Note 7)	-	-	25,589,993	1,955,800	712,500	-	-	2,668,300
Share issue costs (Note 7)	-	-	-	(25,600)	-	-	-	(25,600)
Stock-based compensation (Note 7)	-	-	-	-	85,100	-	-	85,100
Sale of marketable securities	-	-	-	-	-	(47,100)	-	(47,100)
Net loss	-	-	-	-	-	-	(1,553,900)	(1,553,900)
Balance, December 31, 2008	254,414	$ 211,200	103,872,038	$ 23,945,500	$ 6,608,900	$ -	$ (27,869,200)	$ 2,896,400
Stock-based compensation (Note 7)	-	-			46,200	-	-	46,200
Net loss	-	-				-	(1,393,400)	(1,393,400)
Balance, June 30, 2009	254,414	$ 211,200	103,872,038	$ 23,945,500	6,655,100	$ -	$(29,262,600)	$1,549,200

**Included in this amount originally were 1,787,847 (as at December 31, 2008 and June 30, 2009: 1,396,610) of the Company's common shares allotted to the former shareholders of SGMC for tendering their ownership of SGMC, representing 4% of the 44,577,367 common shares at a deemed value of C$0.26 per common share issued on December 29, 2004 on the acquisition of SGMC.*

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

1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

Sutter Gold Mining Inc. ("SGMI" or "the Company"), is incorporated in the province of British Columbia, and its principal business activity is the exploration of mineral properties.

On December 29, 2004, the Company completed a reverse take-over by acquiring Sutter Gold Mining Company ("SGMC") of Riverton, Wyoming. Approximately 97% of SGMC's shareholders tendered their shares for 43,180,757 common shares of the Company as of June 30, 2009. The Company has allotted another 1,396,610 common shares for the other 3% of SGMC's shareholders should they elect to tender their shares in the future.

SGMC was established to conduct operations on mining leases and to produce gold from the Lincoln Project, a gold mining prospect in the Mother Lode mining district of Amador County, California.

On August 22, 2008, RMB Resources Ltd. ("RMB"), a trustee for the Telluride Investment Trust, completed the acquisition of 39,062,072 common shares from U.S. Energy Corp. ("USE") for an aggregate purchase price of C$5,400,000. As of June 30, 2009, RMB owned 51,832,120 (49.9%) of the outstanding common shares of the Company.

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

The Company has generated significant losses since its inception which have resulted in an accumulated deficit of $29,262,600 as of June 30, 2009 (December 31, 2008 - $27,869,200). The Company's working capital as of June 30, 2009 was $180,700 (December 31, 2008 - $1,544,000).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Interim financial statements

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods of application as the annual financial statements. These interim consolidated financial statements do not include in all respects the annual disclosure requirements of generally accepted accounting principles and should be read in conjunction with the most recent annual statements.

Principles of consolidation

The consolidated financial statements of the Company include the accounts of the Company and those of its subsidiaries SGMC and USECC Gold. All material intercompany profits, transactions and balances have been eliminated.

Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of six months or less to be cash equivalents. The Company maintains its cash and cash equivalents in bank deposit accounts which exceed federally insured limits. At June 30, 2009, the Company had its cash and cash

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (cont'd)

equivalents with two financial institutions. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Foreign currency translation

The Company's reporting currency is the US Dollar. The Company's Canadian operation is considered to be an integrated operation with foreign currency transactions translated into US Dollars as follows:

- monetary assets and liabilities at the rates of exchange prevailing at the balance sheet dates;
- other assets and liabilities at the applicable historical exchange rates;
- revenues and expenses at the average rates of exchange for the period, and;
- gains and losses arising from the conversion of foreign currency balances and transactions are reported in income as they occur.

Mineral properties and deferred costs

The cost of mineral properties and their related direct exploration and development costs are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized on the unit-of-production basis over the estimated useful life of the property following the commencement of production, or written-off if the properties are sold, allowed to lapse or abandoned. All costs of general exploration are expensed as incurred. All other costs, including costs related to feasibility studies, are expensed as incurred.

Cost includes any cash consideration and the fair market value of shares issued on the acquisition of property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews capitalized costs on its property interests on a periodic basis and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review. (See "Changes in accounting policies - *Deferred exploration costs")*

Cost of maintaining mineral properties

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Property and equipment

Land, buildings, improvements, machinery and equipment are carried at cost. Depreciation of buildings, improvements, machinery and equipment is provided principally by the straight-line and declining method over estimated useful lives ranging from 3 to 30 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (cont'd)

Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized on an undiscounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation. At June 30, 2009 the Company does not have any asset retirement obligations other than reclamation liabilities as accrued.

Retirement of long-lived assets

Long-lived assets are assessed for impairment when events and circumstances warrant, when the carrying amounts of the assets exceeds its estimated undiscounted net cash flow from use or its fair value, at which time the impairment is charged to earnings.

Environmental expenditures

The operations of the Company have been and may in the future, be affected in varying degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their expected future economic benefit. Estimated future removal and site restoration costs are recognized when the ultimate liability is reasonably determinable, and are charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

Stock-based compensation

The Company accounted for its stock options granted to its employees and non-employees using a fair value based method that is recommended by the Canadian generally accepted accounting principles (CICA Handbook Section 3870, stock-based compensation and other stock-based payments).

Under this standard, payments to non-employees and to employees that are direct awards of stock, that call for settlement in cash or other assets, or that are stock appreciation rights which call for settlement by the issuance of equity instruments, are accounted for using the fair value method and are included in operations, with an offset to contributed surplus.

Future income taxes

The Company accounts for potential future net tax assets which are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and which are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (cont'd)

potential future benefit is taken and no net asset is recognized. Such an allowance has been applied to all potential income tax assets of the Company.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact future results of operations and cash flows.

Share capital

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

Earnings (Loss) Per Share

Earnings (loss) per share data are computed by dividing net income (loss) by the weighted average number of common shares and common share equivalents outstanding during the period. Shares issuable upon the exercise of share purchase warrants and stock options were excluded from the computation of loss per share because their effect would be anti-dilutive.

Comparative figures

Certain of the prior period's figures have been reclassified in conformity with the current period's financial statement presentation.

Changes in accounting policies

Deferred exploration costs

On March 27, 2009, the Emerging Issues Committee issued EIC-174 Mining Exploration Costs. to the EIC provides additional guidance in light of the potential adverse impact of the current economic and financial turmoil on the carrying value of the deferred exploration costs. The EIC is effective for financial statements issued on or after the date of the date of the EIC. Management applied a market approach in its review using data relating to forward prices, ongoing feasibility studies and management's assessment of the Company's ability to fund ongoing exploration. In management's estimation there has been no impairment to its mineral assets upon the adoption of the new standard.

Goodwill and intangible assets

On January 1, 2009, the Corporation adopted CICA Handbook section 3064 "Goodwill and intangible Assets", which replaced CICA Handbook section 3062 "Goodwill and Other Intangible Assets" as well as CICA Handbook section 3450 "Research and Development". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Adoption of this new standard did not have a material impact on the Corporation's financial statements and disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (cont'd)

CICA Sections 1582, 1601, 1602 Business Combinations, Consolidations, and Non-Controlling Interests

In January 2009, the AcSB issued the following Handbook sections: 1582 – Business Combinations, 1601 – Consolidations, and 1602 – Non-Controlling Interests. These new Sections will be applicable to financial statements relating to the Company's interim and fiscal year end beginning on or after January 1, 2011. Early adoption is permitted. The Company does not expect that there will be any material impact upon its adoption of these new sections on its consolidated financial statements.

IFRS convergence

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011, for which the current and comparative information will be prepared under IFRS.

The Company has commenced its IFRS conversion project in 2008. The Company's IFRS project consists of three phases – scoping, evaluation and design, and implementation and review. The Company has commenced the scoping phase of the project, which consists of project initiation and awareness, identification of high-level differences between Canadian GAAP and IFRS and project planning and resourcing. The Company has completed a high level scoping exercise and has prepared a preliminary Comparison of financial statement areas that will be impacted by the conversion.

A detailed assessment of the impact of adopting IFRS on our consolidated financial statements, accounting policies, information technology and data systems, internal controls over financial reporting, disclosure controls and procedures, and the various covenants and capital requirements and business activities has not been completed. The impact on such elements will depend on the particular circumstances prevailing at the adoption date and the IFRS accounting policy choices made by the Company. The Company has not completed its quantification of the effects of adopting IFRS. The financial performance and financial position as disclosed in our Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

3. RECLAMATION BOND

Future reclamation and mine closure costs will be the responsibility of the Company and are based on legal and regulatory requirements. The laws and regulations are continually changing and are generally becoming more restrictive. The Company believes it is in compliance with applicable laws and regulations and expects to make future expenditures to comply with these laws and regulations. Current estimated reclamation obligations of $23,300 are secured by a $27,000 reclamation bond as at June 30, 2009 (December 31, 2008 - $27,000).

(Expressed in US Dollars unless otherwise noted)

4. PROPERTY AND EQUIPMENT

	June 30, 2009 Cost	June 30, 2009 Accumulated depreciation	June 30, 2009 Net book value	December 31, 2008 Net book value
Land improvement	$ 175,100	$ 6,300	$ 168,800	$ 168,800
Buildings	288,800	216,200	72,600	78,000
Equipment and vehicles	629,900	312,800	317,100	295,600
	$ 1,093,800	$ 535,300	$ 558,500	$ 542,400

5. MINERAL PROPERTIES

Mining Claims Expenditures

	December 31, 2007	Net Additions	December 31, 2008	Net Additions	June 30, 2009
Lincoln and Comet Project					
Underground drilling	$ 788,600	$ 17,700	$ 806,300	$ -	$806,300
Total Mining Claims Expenditures	$ 788,600	$ 17,700	$ 806,300	$ -	$806,300

USE has a Net Profits Interest royalty ("NPIR") of 5% until the total amount of $4.6 million is repaid, and a 1% NPIR thereafter.

Sutter Gold Project - Lincoln and Comet Properties

The Sutter Gold Project – Lincoln and Comet properties are situated on a 551 -acre block of mining claims and surface rights 45 miles east-southeast of Sacramento, California, in the central part of the 121-mile-long Mother Lode gold belt. Total annual lease payments are currently $29,900.

The lease terms are 30 years, broken down into ten year segments carrying a 4% production royalty or minimum annual payments as follows for the Lincoln and Comet property, respectively: $1,200 and $2,400 for each of years one to ten; $2,400 and $4,800 for each of years eleven through twenty; $3,600 and $7,200 for each of years twenty one through thirty; and $4,800 and $9,600 for each year thereafter. An additional 0.5% net smelter return royalty is held by a consultant to a lessee and was in place prior to the acquisition of the properties, which 0.5% interest covers the properties in the Lincoln Project. The payments have been made up to date.

Eureka Property

On January 21, 2005, the Company entered into a lease agreement to acquire 132 acres of land immediately adjacent to the Company's properties in California, called the Eureka Property. The lease term is 30 years, broken down into ten years segment carrying a 4% production royalty or a minimum annual payment of $2,400 for each of years one to ten, $3,600 for each of years eleven to twenty, $4,800 for each of years twenty-one to thirty, and $6,000 for each year after the year thirty-one. As of March 31, 2009, 12,000 common shares had been issued to the Eureka Property's owner for the first year's payment and the second through forth years' payments have been made up to date.

5. MINERAL PROPERTIES, (cont'd)

Keystone Property

Effective August 1, 2003, the Company entered into a lease ("Third Amendment to Mining Lease and Option") with Keystone Mining Corporation. The lease covers certain properties at the Sutter Gold Project and requires payments of $5,000 per year for the first 10 years of the lease. A royalty of 5% of the net profits on production exists on these properties. The "net profits" will be determined by subtracting from gross mineral revenues an amount equal to 105% of numerous categories of costs and expenses. The payments have been made up to date.

Cecchettini Trust

Effective May 20, 2009, the Company entered into a Mineral Lease Agreement with the Cecchettini Trust. The lease covers 162 acres adjoining and contiguous with existing Sutter Gold Properties and requires annual base lease payments of $5,000 for the first 10 years of the lease. A Production Royalty of 4% of saleable product produced on these leases will be paid during mining operations. The payments have been made and are up to date.

Mexican property

On October 26, 2006, the Company entered into an Exclusive Option Agreement with The Alamo Group, Inc. ("The Alamo Group") of Scottsdale, Arizona, to acquire a 100% interest (less royalty provisions) in the Santa Teresa mineral concession located in the historic El Alamo gold mining district southeast of Ensenada, Mexico for C$500,000 in payments and C$100,000 in work commitments.

The Company made an initial payment of $13,300 (C$15,000) on signing the Exclusive Option Agreement and issued 111,111 of its shares at a price of C$0.36 on signing the Definitive Agreement on February 7, 2007 (Note 8a). Annual payments to The Alamo Group for the next four years as follows:

February 7, 2008 - C$50,000 (paid);
February 7, 2009 - C$75,000 (paid);
February 7, 2010 - C$100,000 (C$50,000 payable in cash and C$50,000 in common shares)
February 7, 2011 - the balance of the C$500,000 purchase price, C$220,000, due in cash.

The Alamo Group can waive its right to receive shares in favor of cash.

The Alamo Group will retain a 3% net smelter royalty if gold is selling for C$650/ounce or greater and 1.5% if gold is selling for less than C$650/ounce. The Company has the right to purchase one half of the net smelter royalty for C$1 after The Alamo Group has received C$2,000,000 in royalties from commercial operations on the concession.

On March 29, 2007, the Company signed a letter of intent and on August 7, 2007 a Joint Venture Agreement with Premier to jointly explore the Company's Santa Teresa mineral concession. Premier is to earn an initial 50% interest in the project by issuing 100,000 common shares (received) to the Company, completing $1.5 million in exploration and acquisition within two years and reimbursing the Company for all option payments due to the vendor over four years (total of C$500,000; $202,200 was reimbursed to date resulting in $22,200 being recorded as a gain on the optioned property during the three months ended March 31, 2008). Premier can earn an additional 15% interest in the property (to a 65% interest) by paying a further $500,000 to the Company, payable in cash or shares, and conducting an additional $4,000,000 in exploration on the property.

(Expressed in US Dollars unless otherwise noted)

6. TRANSACTIONS WITH RELATED PARTIES

During the period ended June 30, 2009, the Company incurred C$6,250 (2008 – C$36,365) for accounting, administrative and secretarial fees to a private company controlled by a director. C$1,250 was owed to this company as at June 30, 2009 (December 31, 2008 – C$2,100) for the unpaid portion of these amounts.

Effective June 1, 1996, SGMC entered into a Management Agreement with USE, a former partner of the Company, whereby a joint venture between the companies, USECB Joint Venture ("USECB") serves as the manager of the Company's mine development and exploration activities, among other duties, and provides administrative staff and services to the Company. Under the terms of the Management Agreement, USECB is reimbursed for actual costs incurred plus, initially, 10% of allowable costs as defined in the Management Agreement. USECB invoiced SGMC for the six months ended June 30, 2009, and 2008 $0 and $23,400, respectively, which included general administration costs and lease payments. The Management Agreement may be terminated by the Company at any time with one month's advance notice to USECB.

Subsequent to June 30, 2009 the Company has closed a secured loan facility in the amount of $4,250,000 with RMB Australia Holdings Limited maturing August 31, 2010 (see note 12). RMB Australia Holdings Limited and RMB (see note 1) are both members of the FirstRand Group.

Related party transactions are measured at their exchange amounts as determined by management. The amounts bear no interest and are unsecured with no repayment terms.

7. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preference shares without par value.

On August 22, 2008, the Company completed a non-brokered private placement of 25,589,993 units at a price of C$0.11 for proceeds of $2,668,200 (C$2,814,900). Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of C$0.15 per share until August 22, 2010. The fair value of $712,400 was assigned to these warrants using Black-Scholes model. All securities issued under the private placement are subject to a four-month hold period expiring on December 22, 2008. The share issue costs totalled $28,800.

Series 1 Convertible Redeemable Preference shares	Number of Shares	Amount
Balance, June 30, 2009 and December 31, 2008	254,414	$ 211,200

Series 1 Convertible Redeemable Preference shares are convertible at any time by the holder into common shares of the Company on a one for one basis and are redeemable at any time by the Company at a price of C$1 for each share redeemed. These shares are non-interest bearing.

(Expressed in US Dollars unless otherwise noted)

7. SHARE CAPITAL (cont'd)

Warrants outstanding

	Warrants	Weighted Average Exercise Price C$
Balance outstanding, December 31, 2007	16,312,000	0.34
Warrants expired	(16,312,000)	0.34
Warrants issued	12,794,994	0.15
Balance outstanding, December 31, 2008	12,794,994	0.15
Balance outstanding, June 30, 2009	12,794,994	0.15

As at June 30, 2009, 12,794,994 warrants were outstanding at an exercise price of C$0.15 expiring on August 22, 2010.

Options outstanding

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, officers and employees to acquire up to 10% of issued and outstanding common stock.

	Options	Weighted Average Exercise Price C$
Balance outstanding, December 31, 2007	5,315,000	0.30
Options expired/cancelled	(1,490,000)	0.22
Options Granted	2,200,000	0.11
Balance outstanding, December 31, 2008	6,025,000	0.22
Options expired/cancelled	(650,000)	0.23
Options Granted	1,400,000	0.11
Balance outstanding, June 30, 2009	6,775,000	0.21

As at June 30, 2009 the following options were outstanding:

Number	Exercise Price C$	Expiry Date
2,060,000	0.28	April 8, 2010
200,000	0.30	April 20, 2011
1,165,000	0.35	August 16, 2011
2,200,000	0.11	October 6, 2013
250,000	0.11	January 29, 2014
900,000	0.11	June 9, 2014
6,775,000		

The weighted-average remaining life of options outstanding as at June 30, 2009 was 2.87 years (December 31, 2008 – 2.88 years).

(Expressed in US Dollars unless otherwise noted)

7. SHARE CAPITAL (cont'd)

Stock-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. The fair value of options vested in the six months ended June 30, 2009 totaled $46,200 (2008 - $14,700).

There were 1,400,000 options granted during six months ended June 30, 2009. The aggregate fair value of $89,300 was determined by reference to the following assumptions the Black-Scholes method of valuation:

	2008
Risk-free interest rate	1.25% - 2.8%
Annualized volatility	87%- 124%
Expected dividend yield	Nil
Expected option life in years	5 years

8. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	For the three months ended June 30,			For the six months ended June 30,	
	2009		2008	2009	2008
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
Interest income	200	$	1,100	2,000	3,200
Interest paid	(100)	$	500	(100)	1,100

9. FINANCIAL INSTRUMENTS

The Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and leases payable are classified as other financial liabilities. Marketable securities are classified as available-for-sale which are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest risk.

(a) Currency risk

The Company's property interests in United States and Mexico make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the US Dollar, the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks. The company

9. FINANCIAL INSTRUMENTS (cont'd)

has not presented a sensitivity analysis table as the foreign currency cash balances as at June 30, 2009 are not material to the Company's financial statements.

(b) Credit risk

The Company's cash and cash equivalents are held in Canadian and U.S. financial institutions. The Company does not have any asset-backed commercial paper in its cash and cash equivalents. The Company's accounts receivable consists primarily of goods and services tax due from the federal government of Canada.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities, leases payable and notes payable are due within the current operating period.

(d) 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. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash and cash equivalents is limited because they are generally held to maturity. The company has not presented a sensitivity analysis table as the interest rate risk at June 30, 2009 is not material to the Company's financial statements.

10. MANAGEMENT OF CAPITAL RISK

The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital (Note 7). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

10. MANAGEMENT OF CAPITAL RISK (cont'd)

The Company is currently assessing financing alternatives for its exploration plans and operations through its current operating period.

11. CONTINGENT LIABILITIES

The Company has entered into employment agreements with two officers pursuant to which it could become liable to pay cash bonuses aggregating up to $900,000 upon the completion of defined performance milestones. These milestones are inclusive of, but not limited to, events relating directly to the commencement of commercial production from a mining project. Additionally, pursuant to the terms of these agreements, the Company would be obligated to pay an aggregate of $840,000 to these officers in the event that their employment is terminated through change in controls. No liability has been recognized in these financial statements as (i) the Company has no basis to assess the likelihood of future payments, and (ii) the amount of such payments can not be reasonably estimated.

12. SUBSEQUENT EVENTS

Subsequent to June 30, 2009 the Company has entered into a short term loan facility agreement (the "Loan Facility"). The Loan Facility is denominated in US dollars and has a limit of $4,250,000. The Loan Facility will be for the purpose of funding agreed development activities at the Lincoln Project in California and corporate expenditures. 7.5% of the Loan Facility amount is payable to the Lender in cash upon execution of the Facility Agreement. The Facility will be available for drawing from the Closing Date of August 11, 2009 to August 1, 2010.