

Sur American Gold Corporation

Consolidated Interim Balance Sheets

	June 30 2003 (Unaudited)	December 31 2002 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	\$52,617	\$80,849
Advances on Acquisition of investment (Notes 3, 4 & 6)	406,312	0
Accounts receivable and advances	12,448	24,518
Prepaid expenses	5,065	5,801
	<u>476,442</u>	<u>111,168</u>
Deposit on acquisition of investment (Notes 3, 4 & 6)	500,000	0
Resource Interests	40,643	0
Capital Assets	28,368	31,171
	<u>1,045,453</u>	<u>142,339</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 4)	112,959	125,668
Notes payable	1,027,377	1,027,377
	<u>1,140,336</u>	<u>1,153,045</u>
Shareholders' Equity		
Share Capital (Note 4)	7,733,394	6,573,394
Shares Subscribed	0	90,000
Contributed Surplus	5,539	5,539
Retained Earnings (Deficit)	(7,833,816)	(7,679,639)
	<u>(94,883)</u>	<u>(1,010,706)</u>
	<u>\$1,045,453</u>	<u>\$142,339</u>

APPROVED BY THE BOARD,

"J. Rennie Blair", Director

"Alicia Nicholson", Director

Sur American Gold Corporation

Consolidated Interim Statements of Operations and Deficit

	6 Month Period Ended June 30, 2003 (Unaudited)	3 Month Period Ended June 30, 2003 (Unaudited)	6 Month Period Ended June 30, 2002 (Unaudited)	3 Month Period Ended June 30, 2002 (Unaudited)
Revenue				
Interest	\$ (1,154)	\$ (246)	\$ (35)	\$ (16)
Administration				
Bank charges and interest	1,292	743	336	235
Depreciation and amortization	2,803	1,401	5,021	2,511
Foreign exchange	(4,308)	(4,008)	(145)	(201)
Interest on loans	20,406	10,260	16,740	8,726
Investor relations	694	694	0	0
Legal and professional	31,114	9,643	5,750	5,750
Office and miscellaneous	8,025	3,703	7,270	3,831
Regulatory registration and filing fees	17,029	6,206	5,373	2,406
Rent	12,000	6,000	15,000	7,500
Salaries and benefits	45,000	22,500	66,000	33,000
Shareholders costs	12,795	12,795	11,306	11,306
Telephone and fax	1,621	856	1,714	877
Transfer agent	3,298	2,642	3,823	2,806
Travel and accommodation	3,562	878	5,005	1,713
	155,331	74,313	143,193	80,460
Loss for period	154,177	74,067	143,158	80,444
Deficit, beginning period	7,679,639	7,759,749	7,140,895	7,203,609
Deficit, end of period	7,833,816	7,833,816	7,284,053	7,284,053
Earnings (Loss) per share, basic	\$0.00	\$0.00	\$0.00	\$0.00

Sur American Gold Corporation

Consolidated Interim Statements of Cash Flows

	6 Month Period Ended June 30, 2003 (Unaudited)	3 Month Period Ended June 30, 2003 (Unaudited)	6 Month Period Ended June 30, 2002 (Unaudited)	3 Month Period Ended June 30, 2002 (Unaudited)
Cash provided by (used in) operating activities				
Operations				
Loss for period	\$ 154,177	\$ 74,067	\$ 143,158	\$ 80,444
Items not affecting cash				
Depreciation and amortization	2,803	1,401	5,021	2,511
	<u>(151,374)</u>	<u>(72,666)</u>	<u>(138,137)</u>	<u>(77,933)</u>
Net change in non-cash working capital				
Advances on acquisition of investment (Notes 3, 4 & 6)	(406,312)	(406,312)	0	0
Accounts receivable	12,070	3,385	(7,187)	(2,470)
Prepaid expenses	736	189	8,917	5,261
Accounts payable and accrued liabilities	(12,709)	7,137	67,064	(23,393)
	<u>(406,215)</u>	<u>(395,601)</u>	<u>68,794</u>	<u>(20,602)</u>
Cash flows from investing activities				
Resource properties	(40,643)	(16,739)	(77,707)	(33,001)
	<u>(40,643)</u>	<u>(16,739)</u>	<u>(77,707)</u>	<u>(33,001)</u>
Cash flows from financing activities				
Issuance of common shares	570,000	0	120,000	120,000
	<u>570,000</u>	<u>0</u>	<u>120,000</u>	<u>120,000</u>
Increase in cash and cash equivalents	(28,232)	(485,006)	(27,050)	(11,536)
Cash and cash equivalents, beginning of period	80,849	537,623	36,948	21,434
Cash and cash equivalents, end of period	<u>52,617</u>	<u>52,617</u>	<u>9,898</u>	<u>9,898</u>

Sur American Gold Corporation

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2003

1. GOING CONCERN AND NATURE OF OPERATIONS

Sur American Gold Corporation (the "Company") is incorporated under the laws of the Province of Alberta. Its principal business activity is natural resource exploration. The Company's focus is in Mindanao Island, Philippines.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles which necessarily involves the use of estimates. The consolidated interim financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality. These consolidated interim financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual consolidated financial statements.

3. RESOURCE INTERESTS

Philippines Projects

During the period, the Company issued 5,000,000 shares at a deemed price of \$ 0.10 per share to Eastern Corporation Limited, an Australian Public Company in anticipation of completing the acquisition of 70% interest in Sabena Limited ("Sabena"), an unlisted Australian public company. Sabena, through various agreements either owns or has rights to acquire interests in a large suite of gold and copper gold properties in the island of Mindanao in the Philippines. The properties include the Batoto/Tarale, T Boli, and Panag Gold Projects and three copper-gold porphyry deposits.. The Company also advanced \$406,312 to Sabena to enable Sabena to undertake planned exploration on the Philippine properties in which it has an interest.(See also Notes 4 & 6)

4. SHARE CAPITAL

	June 30, 2003		December 31, 2002	
	Shares	Amount	Shares	Amount
Issued				
Balance, beginning of year	26,801,063	\$ 6,573,394	24,501,063	\$ 6,343,394
Common shares issued:				
For cash	5,600,000	560,000	1,100,000	110,000
As deposit on acquisition of investment (See also Notes 3 & 6)	5,000,000	500,000	0	0
On settlement of debts	0	0	1,200,000	120,000
For exercise of stock options	1,000,000	100,000	0	0
	<u>38,401,063</u>	<u>\$ 7,733,394</u>	<u>26,801,063</u>	<u>\$ 6,573,394</u>

Sur American Gold Corporation

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2003

During the period ending June 30, 2003, the Company:

- (a) Completed a non- brokered private placement of 5,600,000 units , at \$ 0.10 per unit for total proceeds of \$ 560,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at an exercise price of \$ 0.15 per share in the first year and at a price of \$ 0.20 per share during the second year. Included in the funds raised is \$ 90,000 received before December 31, 2002. In connection with the financing the Company paid a cash finders' fee of \$ 2,500 and issued 25,000 share purchase warrants exercisable on the terms noted above.
- (b) Issued to two directors 1,000,000 common shares upon the exercise of stock options at a price of \$ 0.10 per share for additional proceeds of \$ 100,000.
- (c) Issued 5,000,000 shares of Sur American Gold Corporation to Eastern Corporation Limited as a deposit to acquire 70 % interest in Sabena Limited. Sabena is an Australian non listed public Company which owns and has agreements to acquire the properties in the Philippines.(See also Notes 3 & 6)

5. RELATED PARTY TRANSACTIONS

Included in accounts receivable and advances is \$ 7,017 due from directors of the Company.

Included in Accounts payable and accrued liabilities is \$ 64,298 payable to directors of the Company for salaries and advances.

During the six months ended June 30, 2003 , gross rent of \$ 12,000 was paid to directors of the Company.

6. DEPOSIT ON ACQUISITION OF INVESTMENT

During the period Ended June 30, 2003, The Company issued 5,000,000 shares to Eastern Corporation Limited in anticipation of acquiring a 70% interest in Sabena Limited. Sabena is an Australian non listed public Company which owns or has agreements to acquire the properties in the Philippines. In addition the Company advanced \$406, 312 to Sabena to enable Sabena to undertake planned exploration on its Philippine properties in which it has an interest.(See also Notes 3 & 4)

7. SUBSEQUENT EVENTS

Subsequent to June 30, 2003, the Company issued to two directors 4,814,285 in lieu of prior year's unpaid salaries , after obtaining approval from disinterested shareholders at the Annual General meeting and approval from the TSX Venture Exchange. This transaction will reduce long term debt by \$674,000.

**SUR AMERICAN GOLD CORPORATION
QUARTERLY REPORT
FOR THE SIX MONTHS ENDED JUNE 30, 2003**

1.(a) GENERAL AND ADMINISTRATIVE

General and administrative expenses are as presented in Schedule "A"

1.(b) DEFERRED MINERAL EXPLORATION

		Six Months ended June 30, 2003
Deferred Mineral Exploration during the period:		
Field Equipment		\$ 1,311
Legal Expenditures		1,000
Office supplies and miscellaneous		332
Personnel permanent		15,000
Professional fees		9,312
Regulatory and filing fees		6,500
Transportation and air fares		7,188
Total		\$ 40,643

Deferred mineral exploration for the period, represents head office costs incurred by the Company in relation to the Philippine projects.

2. RELATED PARTY TRANSACTIONS

Related party transactions are as outlined on Note 5 in Schedule "A"

3.(a) SECURITIES ISSUED DURING THE SIX MONTHS ENDED JUNE 30, 2003

Date of Issue	Type of Security	Type of Issue	Number	Price Cdn \$	Total Proceeds \$	Type of Consideration	Commission
Mar 27/03	Common	Private Placement	5,600,000	\$ 0.10	\$560,000	Cash	\$2,500
Jan 27/03	Common	Stock Options	1,000,000	\$ 0.10	\$100,000	Cash	N/A
April 1/03	Common	Deposit on Investment Acquisition	1,500,000	\$ 0.10	N/A	Shares	N/A
June 18/03	Common	Deposit on Investment Acquisition	3,500,000	\$ 0.10	N/A	Shares	N/A

**SUR AMERICAN GOLD CORPORATION
QUARTERLY REPORT
FOR THE SIX MONTHS ENDED JUNE 30, 2003**

3.(b) OPTIONS GRANTED DURING THE SIX MONTHS ENDED JUNE 30, 2003

No options were granted during the period.

4.(a,b) AUTHORIZED AND ISSUED SHARE CAPITAL AS AT JUNE 30, 2003

Class	Par Value	Authorized Number	Number Issued	Amount
Common	NPV	Unlimited	38,401,063	\$ 7,733,394

4.(c) OPTIONS AND WARRANTS OUTSTANDING AS AT JUNE 30, 2003

Security	Number	Exercise Price	Expiry Date
Options	750,000	\$0.10	May 9, 2007
Options	350,000	\$0.25	September 7, 2004
Warrants	1,100,000	\$ 0.10	January 4, 2004
Warrants	5,625,000	\$0.15 / \$ 0.20	March 27, 2005

During the period ending June 30, 2003, 1,000,000 stock options were exercised by two directors of the Company.

4.(d) SHARES IN ESCROW OR SUBJECT TO POOLING AS AT JUNE 30, 2003

There were no shares held in escrow or subject to pooling as at June 30, 2003.

5. LIST OF DIRECTORS AND OFFICERS AS AT AUGUST 29, 2003

Directors:

J. Rennie Blair
Alicia Nicholson
Morris J. V Beattie
Garry J. Clark
Alan S. Phillips

Officers:

J. Rennie Blair, President and CEO
Alicia Nicholson, Secretary

**SUR AMERICAN GOLD CORPORATION
QUARTERLY REPORT
FOR THE SIX MONTHS ENDED JUNE 30, 2003**

MANAGEMENT DISCUSSION AND ANALYSIS

DESCRIPTION OF BUSINESS

Sur American Gold Corporation (the "Company") is engaged in the exploration of precious metals. All the Company's active exploration efforts are focused in a suite of gold properties in the Philippines. News releases were issued with details of this acquisition which was formally approved during the first quarter, 2003.

SUMMARY OF PROPERTIES:

COMPOSTELA VALLEY GOLD PROJECT

The Compostela Gold Project consists of a 15km by 3km area of altered diorite and andesite in which the predominant mineralization style is quartz veining either as massive quartz veins or as microveinlets. Large areas of lower grade mineralization also occur around some of the larger veins.

BATOTO-TARALE GOLD DEPOSITS

Located in Compostela Valley Province, South Eastern Mindanao Island where work completed (by a previous explorer in the late 1970's and early 1980's) has outlined a large area of gold mineralization within an altered diorite intrusion.

The Batoto-Tarale veins, consist of about 20, 0.5 metre to 20 metre wide massive quartz veins distributed across a 1,500 metre wide zone of altered diorite. Alteration consists of silicification and abundant micro veinlets subparallel to the main veins. The veins, some of which contain very high grades, have relatively short strike lengths of between 100 and 500 metres and occur over a vertical interval of at least 400 metres.

More than 7,000 metres of surface trenching and 460 metres of underground development carried out to date indicates that, in addition to the main veins, the intervening ground appears to be well mineralized and together with the higher grade larger veins may represent a large low grade bulk mineable gold deposit. The Company has set its 2003 goal to determine the full extent of mineralized zone(s) by systematic geological mapping and extensive trench and tunnel sampling which was in progress at the end of the period under review.

PANAG

This area of about 10 km by 2.5 km occurs immediately to the north of the Batoto-Tarale deposits. At least 20 previously unknown gold veins systems have recently been discovered by Company personnel. Initial trench sampling and mapping is in progress.

COPPER-GOLD PORPHYRY DEPOSITS OF TAGPURA, TAGPURA SOUTH, MA-ANGOB AND KALAMATAN

These known copper-gold porphyry deposits which occur 3-5 km to the east and south-east of Batoto have been partially delineated by a previous operator, by more than 24,000 metres of core drilling and several thousand metres of underground development.

Based on three dimensional reinterpretation of a previous geophysical survey an unknown and potentially large target has been discovered south of the Tagpura deposit. It is the intent of the Company to confirm this target by a new geophysical survey and to test that target by drilling at a date to be decided.

The deposits supported a 10,000 t/d open cut operation during the late 70's and early 80's. The mine

SUR AMERICAN GOLD CORPORATION
QUARTERLY REPORT
FOR THE SIX MONTHS ENDED JUNE 30, 2003

closed supposedly due to low copper prices. Of great interest to the Company is the presence of considerable overprinting of the copper mineralization by late stage gold bearing epithermal quartz veins which occur in all the deposits as well as in the intervening areas between the deposits. Apart from placing all the previous data into a three dimensional format for the purpose of recalculating the mineral resources, the Company plans to re-evaluate the extent of the gold mineralization within and around the copper-gold deposits.

It should be noted that none of the areas outlined above has been subject to modern exploration methods and the Company is confident that the application of such methods will enhance the areas and possibly discover new targets.

T'BOLI GOLD PROJECT

This is a steeply dipping gold bearing epithermal vein system located in South Cotabato Province in south Mindanao Island. Previous work by Sabena Limited personnel included drilling 23 core holes totalling 7,050 metres. The drilling and underground development work outlined an Inferred Resource of 2.4 million tonnes grading 5.5 g/t gold and 21 g/t silver containing 420,000 ozs of gold and 1.6 million ozs of silver.

The veins tested by drilling and underground development are all open at depth and also along strike. Several more gold veins occur nearby which have not yet been tested. As stated in a previous News Release on December 4, 2002, the Company plans to construct a 50-100 t/d pilot plant in order to obtain further metallurgical, mining and geological data to be used for a future feasibility study.

A highly experienced team of geological and mining personnel has also been assembled to carry out the planned field programs.

OPERATIONS AND FINANCIAL CONDITION

During the period ended June 30, 2003 the Company recorded a loss of \$ 154,177 compared with a loss of \$ 143,158 for the comparable 2002 period.

The difference of \$ 11,019 was due to decreases in depreciation and amortization in the amount of \$ 2,218, rent \$ 3,000, telephone and fax \$93, transfer agent \$525, travel and accommodation \$ 1,443 and salaries and benefits \$ 21,000. These decreases in operating costs were however offset by increases in interest on loans \$ 3,666, office expenses \$3,200, investor relations \$ 694, legal and professional \$ 25,364, regulatory and registration \$ 11,656. The increase in these expenditures are due to the costs associated with the Company's completion of the Sabena Agreement and to the private placement completed during the period. The Company also had an increase in interest income in the amount of \$1,119.

During the period ended June 30, 2003 the Company entered into an agreement with Eastern Corporation Limited ("Eastern"), an Australian public company, to acquire up to 70% interest in Eastern's wholly-owned subsidiary, Sabena Limited ("Sabena") Sabena holds an interest in a suite of mineral exploration properties in the Philippines. The agreement called for the Company to fund \$ 4 million of mineral exploration expenditures on the Philippine properties over 5 years and to issue 5 million common shares to Eastern over a 30 month period.. Formal approval of this agreement was received from the TSX Venture Exchange.

On May 19, 2003 a Variation Deed Agreement was signed by Eastern and Sur American Gold Corporation pursuant to which the Company could acquire the 70 % interest in Sabena Limited earlier than the original agreement allowed for by issuing the total 5,000,000 shares to Eastern for the 70 % interest in Sabena, and the Company agreeing on a best endeavours basis to spend \$ 4, 000,000 in exploration funding on Sabena's properties. This variation deed agreement was approved by the

SUR AMERICAN GOLD CORPORATION
QUARTERLY REPORT
FOR THE SIX MONTHS ENDED JUNE 30, 2003

TSX venture Exchange on June 17, 2003 and the shares were issued on June 18, 2003 as an advance on anticipation of completing the acquisition. A cash advance in the amount of \$ 406,312 was made to Sabena to enable Sabena to undertake planned exploration on its Philippine properties in which it has an interest

INVESTOR RELATIONS ACTIVITIES

During the period ended June 30, 2003 , the Company's expenditures for investor relations related to updating of the Company's web-site.

RELATED PARTY TRANSACTIONS

Related party transactions are as outlined in Note 5 in Schedule " A"

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2003 the company had working capital of \$ 363,483, as compared to a working capital deficiency of \$ 923,486 at June 30, 2002. The working capital deficit was reduced significantly by the reclassification of \$ 1,027,377 from short term liabilities to Notes Payable in December 2002.

During the period ending June 30, 2003, The Company received approval for a \$ 560,000 non brokered private placement in order to finance its acquisition of the Philippine's projects and for general and administrative costs, and the shares were issued.

During the period ending June 30, 2003 , two directors of the Company exercised 1,000,000 stock options at \$ 0.10 for total proceeds of \$ 100,000. Whilst the Company has sufficient working capital to undertake its initial exploration programs in the Philippines it will require additional sources of financing to further advance the projects. Whilst the Company has been successful in the past in securing financing there can be no assurance that it will be successful in the future.

SUBSEQUENT EVENTS

Subsequent to June 30, 2003, the Company issued to two directors 4,814,285 shares for prior year's unpaid salaries after obtaining disinterested shareholder's approval at the Annual General meeting and approval from the TSX Venture Exchange. This will reduce the Company's long term debt by \$674,000.

**SUR AMERICAN GOLD CORPORATION
QUARTERLY REPORT
FOR THE SIX MONTHS ENDED JUNE 30, 2003**