

**SUR AMERICAN GOLD
CORPORATION**

**Unaudited Interim Consolidated Financial Statements
June 30, 2006 and 2005**

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SUR AMERICAN GOLD CORPORATION
Interim Consolidated Balance Sheets (note 1)

	As at 30 June 2006 (Unaudited)	As at 31 December 2005 (Audited)
Assets		
Current		
Cash	\$ 1,629,000	\$ 2,871,629
Amounts receivable and advances	51,111	129,492
Prepaid expenses	87,023	5,391
	1,767,134	3,006,512
Investments in and Expenditures on Resource Properties (note 3)	7,465,023	6,463,562
Capital	495,566	529,507
	\$ 9,727,723	\$ 9,999,581
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 189,763	\$ 232,327
	189,763	232,327
Non-Controlling Interest in Subsidiaries	138,440	120,988
	328,203	353,315
Shareholders' Equity		
Share Capital (note 4)	20,779,686	20,669,260
Contributed Surplus	2,707,566	2,743,062
Deficit	(14,087,732)	(13,766,056)
	9,399,520	9,646,266
	\$ 9,727,723	\$ 9,999,581

Going-Concern and Nature of Operations (note 1)

Approved by the Board:

"J. Rennie Blair"
..... Director
J. Rennie Blair

"Alicia Nicholson"
..... Director
Alicia Nicholson

SUR AMERICAN GOLD CORPORATION
Unaudited Interim Consolidated Statements of Operations and Deficit
Three and Six Months Ended June 30, 2006 and 2005

	Three months ended June 30, 2006	Three months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005
Expenses				
Salaries and benefits	\$ 51,213	\$ 22,359	\$ 95,315	\$ 42,081
Regulatory and shareholder costs	17,547	44,614	39,371	81,847
Legal and professional	70,904	55,042	90,261	78,006
Office and miscellaneous	4,291	8,369	12,978	15,438
Travel and accommodation	1,968	2,987	9,617	7,491
Rent	6,000	8,750	12,000	18,875
Depreciation and amortization	5,234	4,298	9,532	8,596
Telephone and fax	1,610	2,680	3,639	5,141
Bank charges and interest	2,107	922	4,115	1,200
Interest on loan payable	-	3,658	-	6,065
Foreign exchange loss/(Gains)	59,483	112,303	41,638	114,909
Loss Before Other Item	(220,357)	(265,982)	(318,466)	(379,649)
Other Item				
Interest income	7,531	403	14,242	846
Loss Before Non-Controlling Interest	(212,826)	(265,579)	(304,224)	(378,803)
Non-Controlling Interest	21,241	1,941	(17,452)	2,281
Net Loss for Period	(191,585)	(263,638)	(321,676)	(376,522)
Deficit, Beginning of Period	(13,896,147)	(11,362,334)	(13,766,056)	(10,348,410)
Cumulative Effect of Adoption of New Accounting Standard	-	-	-	(901,040)
Deficit, End of Period	\$ (14,087,732)	\$ (11,625,972)	\$ (14,087,732)	\$ (11,625,972)
Loss Per Share – basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Weighted Average Number of Common Shares Outstanding	81,403,759	62,712,447	81,310,352	62,712,447

SUR AMERICAN GOLD CORPORATION
Unaudited Interim Consolidated Statements of Cash Flows
Three Months Ended June 30, 2006 and 2005

	Three months ended June 30, 2006	Three months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005
Operating Activities				
Net Loss	\$ (191,585)	\$ (263,638)	\$ (321,676)	\$ (376,522)
Items not involving cash				
Depreciation and amortization	40,938	4,298	80,412	21,155
Loss on retirement of fixed assets			2,448	
Non-controlling interest in subsidiary	(21,241)	2,621	17,452	2,281
Operating Cash Flow	(171,888)	(256,719)	(221,364)	(353,086)
Changes in Non-Cash Working Capital				
Amounts receivable and advances	183,277	3,436	78,381	(1,835)
Prepaid expenses	(81,664)		(81,632)	
Accounts payable and accrued liabilities	(96,348)	(3,221)	(42,564)	128,697
	5,265	215	(45,815)	126,862
Cash Provided by (Used in) Operating	(166,623)	(256,504)	(267,179)	(226,224)
Investing Activities				
Purchase of capital assets	(8,492)	(43,451)	(48,919)	(93,021)
Expenditures on deferred exploration costs	(575,875)	(299,460)	(1,001,461)	(747,526)
Cash held in affiliates, beginning of year	-	-	-	127,027
Cash Used in Investing Activities	(584,367)	(342,911)	(1,050,380)	(713,520)
Financing Activities				
Proceeds from issuances of common shares	40,000	-	74,930	108,100
Cash Provided by Financing Activities	40,000	-	74,930	108,100
Outflow of Cash	(710,990)	(599,415)	(1,242,629)	(831,644)
Cash, Beginning of Period	2,339,990	1,939,055	2,871,629	2,171,284
Cash, End of Period	\$ 1,629,000	\$ 1,339,640	\$ 1,629,000	\$ 1,339,640

SUR AMERICAN GOLD CORPORATION
Notes to Unaudited Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2006 and 2005

1. GOING CONCERN AND NATURE OF OPERATIONS

Sur American Gold Corporation (the "Company") is incorporated under the laws of Alberta. Its principal business activity is natural resource exploration, presently focusing on unproven mineral interests located in the Philippines.

For the three and six months ended June 30, 2006, the Company incurred net losses of \$191,585 and \$321,676 respectively (June 30, 2005, \$263,638 and 376,522 respectively) and as at June 30, 2006 had a deficit of \$14,087,732 (December 31, 2005 - \$13,766,056). The Company's ability to continue in operation is dependent on its ability to secure additional financing to fund ongoing administrative, planned exploration and expenditures, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

These consolidated financial statements are prepared on a going-concern basis, which contemplates that the Company will continue to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going-concern, and therefore, be required to realize its assets and settle its liabilities in other than the normal course of business, possibly at amounts different from those presented in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial information does not include all disclosures required under generally accepted accounting principles for annual financial statements. The accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management necessary for a fair presentation of results for the interim periods. These consolidated financial statements should be read in conjunction with our 2005 annual financial statements and notes.

Significant accounting policies

These interim consolidated financial statements follow the same accounting policies and methods of their applications as our annual financial statements. These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and include our accounts and our wholly-owned subsidiaries, Exploradora La Esperanza S.A. (a Colombian company), and Sabena Limited (an Australian company) and the accounts of partially-owned affiliates, Philco Mining Corporation ("Philco"), Batoto Resources Corporation ("Batoto") and TMC Tribal Mining Corporation ("TMC") referred throughout the financial statements as ("the Philippine companies"). The company owns 40 percent of each of the Philippine companies and these companies have been consolidated in accordance with Accounting Guideline 15 ("AcG-15") as they meet the criteria of variable interest entities. All significant intercompany balances and transactions have been eliminated.

SUR AMERICAN GOLD CORPORATION
Notes to Unaudited Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2006 and 2005

3. INVESTMENTS IN AND EXPENDITURES ON RESOURCE PROPERTIES

Through its subsidiaries and the Philippine affiliates, the Company has interests in certain permits and licenses to explore and develop mineral properties located in the Philippines described below.

	Panag, Suriganon and Tagpura	Batoto	T'Boli	Total
Acquisition costs	\$ 1,037,981	\$ 1,038,101	\$ 1,017,159	\$ 3,093,241
Deferred exploration costs				
Balance, beginning of of period	1,270,211	1,323,272	776,838	3,370,321
Incurring during period				
Assaying	7,280	10,885	-	18,165
Community development	9,427	14,152	5,895	29,474
Consultants	66,567	143,416	38,080	248,063
Depreciation and amortization	65,458	2,324	3,097	70,879
Drilling costs	138,818	-	-	138,818
Exploration and mineral processing	2,904	75,950	-	78,854
Field supplies and miscellaneous	53,475	198,398	53,749	305,622
Geological	38,552	-	-	38,552
Transportation and travel	21,227	46,688	5,119	73,034
	403,708	491,813	105,940	1,001,461
Balance, end of period	1,673,919	1,815,085	882,778	4,371,782
	\$ 2,711,900	\$ 2,853,186	\$ 1,899,937	\$ 7,465,023

SUR AMERICAN GOLD CORPORATION
Notes to Unaudited Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2006 and 2005

3. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

- (a) Panag, Suriganon and Tagpura, Barangay Camanlangan, Municipality of New Bataan, Compostela Valley Province, Philippines

Panag and Suriganon are located within Exploration Permit ("EP") No. 000001-00-X1 covering an area of 2,170.82 hectares, which was granted on March 1, 2000 and Tagpura is located within Exploration Permit Application ("EPA) EPA X1-063 covering an area of 3,402 hectares, which was filed in July 1997. Both are owned 100% by Philco. Philco has recently applied for the conversion of EPA X1-063 into an EP.

There are no royalties payable to the government of the Philippines as the properties are located in an Indigenous area. The Indigenous peoples will, upon commercial production, be given a royalty equivalent to 1% of the operating cost of any operation. There are no annual work commitments.

- (b) Batoto, Barangay Camanlangan, Municipality of New Bataan, Compostela Valley Province, Philippines

Batoto is located within the Mineral Production Sharing Agreement Application (APSA No. 000246-X1 (formerly MLC 292) covering an area of 648 hectares and also within Exploration Permit Application EPA-109-X1, which covers an area of 3,569 hectares. The property was transferred in 2004 from the Philco EP No 000001-00-X1 to Batoto.

There are no royalties payable to the government of the Philippines as the properties are located in an Indigenous area. The Indigenous peoples will, upon commercial production, be given a royalty equivalent to 1% of the operating cost of any operation. There are no annual work commitments.

- (c) T'Boli, Barangay Kematu, Municipality of T'Boli, South Cotabato Province, Philippines

T'Boli is located within approved Mineral Production Sharing Agreement ("MPSA") 090-97-X1 84 covering an area of 98.2 hectares, which was granted in November 1997 and Mineral Production Sharing Agreement Application ("APSA No. 51-X1 Holon Block") covering 2,790.86 hectares. TMC is the legal owner of these licenses. There is a 2% mineral royalty payable to the government of the Philippines in respect of any future mineral production.

SUR AMERICAN GOLD CORPORATION
Notes to Unaudited Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2006 and 2005

4. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Issued

	Number of Shares	Amount
Balance, December 31, 2004	62,636,114	\$ 13,574,085
Issued pursuant to		
Private placement	6,250,000	2,500,000
Exercise of warrants	1,508,000	616,600
Exercise of stock options	862,500	410,575
Acquisition of subsidiary	10,000,000	3,600,000
Share issue costs	0	(32,000)
Balance, December 31, 2005	81,256,614	20,669,260
Issued pursuant to		
Exercise of warrants	53,738	34,930
Exercise of options	100,000	40,000
Reallocation from contributed Surplus	-	35,496
Balance, June 30, 2006	81,410,352	\$ 20,779,686

(c) Share issuances

During the period ended June 30, 2006, directors exercised 53,738 share purchase warrants for total proceeds of \$34,930 and 100,000 stock options for total proceeds of \$40,000.

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Notes to Unaudited Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2006 and 2005

(d) Warrants

As at June 30, 2006 and December 31, 2005, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Jun 2006	Dec 2005
April 30, 2006	\$ 1.07	0	32,243
April 30, 2006	\$ 2.10	0	483,645
April 30, 2006	\$ 0.65	0	53,738
August 16, 2007	\$ 0.55 / \$0.75	6,250,000	6,250,000
		6,250,000	6,819,626

Share purchase warrant transactions and the number of share purchase warrants outstanding and exercisable are summarized as follows:

	June 2006		Dec 2005	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	6,819,626	\$ 0.53	2,217,626	\$ 0.80
Granted			6,250,000	\$ 0.40
Exercised	(53,738)	\$ 0.65	(1,508,000)	\$ 0.41
Expired/forfeited	(32,243)	\$1.07		
Expired/forfeited	(483,645)	\$2.10	(140,000)	\$ 0.50
Outstanding and exercisable, end of period	6,250,000	\$0.55	6,819,626	\$ 0.53

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Three and Six Months Ended June 30, 2006 and 2005

(e) Stock Options

The Company has a stock option plan whereby the board of directors is authorized to grant options to a rolling ceiling of 10% of the issued and outstanding common shares of the Company.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. The terms of the option and the option price are fixed by the directors at the time of grant subject to price restrictions imposed by the TSX Venture Exchange. Stock options awarded have a maximum term of five years and vest on the date of award.

As at June 30, 2006 and December 31, 2005 the following incentive stock options were outstanding and exercisable:

Expiry Date	Exercise Price	June 30, 2006	December 31, 2005
December 11, 2007	\$ 0.25	50,000	50,000
September 5, 2008	\$ 0.11	115,000	115,000
December 11, 2008	\$ 0.45	740,000	740,000
August 17, 2010	\$ 0.40	4,037,500	4,137,500
August 17, 2010	\$ 0.60	2,150,000	2,150,000
		7,092,500	7,192,500

Stock option transactions and the number of stock options outstanding and exercisable are summarized as follows:

	June 30, 2006		December 31, 2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	7,192,500	\$ 0.46	5,905,000	\$ 0.38
Awarded	0	\$ 0.00	2,150,000	\$ 0.68
Exercised	(100,000)	\$ 0.40	(862,500)	\$ 0.24
Cancelled	0	\$ 0.00	0	\$ 0.00
Expired	0	\$ 0.00	0	\$ 0.00
Outstanding and exercisable, end of period	7,092,500	\$ 0.46	7,192,500	\$ 0.46

SUR AMERICAN GOLD CORPORATION
Notes to Unaudited Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2006 and 2005

5. RELATED PARTY TRANSACTIONS

Included in amounts receivable and advances is \$12,763 (Dec 2005 - \$1,519) due from directors.

Included in accounts payable and accrued liabilities is \$91,196 (Dec 2005 - \$139,614) payable to directors, an employee and a corporation controlled by a director.

During the three and six months ending June 30, 2006, gross rent of \$6,000 and 12,000 respectively (Dec 2005 - \$24,000) was paid to a director.

During the six months ending June 30, 2006 \$9,750 was paid to a person related to a director of the Corporation for web-site design and content.