

Consolidated Interim Financial Statements
(Unaudited)
(Stated in Canadian Dollars)



June 30, 2009



NOTICE TO SHAREHOLDERS
FOR THE THREE MONTHS ENDED JUNE 30, 2009
PREMIER GOLD MINES LIMITED

Responsibility for Financial Statements

The accompanying consolidated financial statements for Premier Gold Mines Limited have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2008 audited consolidated financial statements. Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these consolidated financial statements have been fairly presented.



(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at June 30, 2009
 (with comparative figures as at December 31, 2008)
 (Stated in Canadian Dollars)

	2009	2008
	\$	\$
ASSETS		
Current		
Cash and cash equivalents <i>[note 3]</i>	10,067,407	19,005,740
Accounts receivable	259,244	167,008
Prepays and deposits	70,549	77,068
Total current assets	10,397,200	19,249,816
Long-term investments <i>[note 4]</i>	1,972,050	1,793,917
Property, plant and equipment <i>[note 5]</i>	51,984	59,246
Mineral properties	57,469,851	47,021,003
Mineral property held for sale <i>[note 7]</i>	82,064	286,981
Total	69,973,149	68,410,963
LIABILITIES		
Current		
Accounts payable and accrued liabilities	2,263,681	1,215,890
Taxes payable	35,243	69,816
Total current liabilities	2,298,924	1,285,706
Long term tax payable	156,015	156,015
Future tax liability	8,683,827	4,710,347
SHAREHOLDER'S EQUITY		
Share capital		
Issued		
Common shares <i>[note 8]</i>	58,310,533	61,317,428
Contributed surplus <i>[note 10]</i>	7,304,644	3,597,986
Deficit	(6,780,794)	(2,656,519)
Total shareholders' equity	58,834,383	62,258,895
Total	69,973,149	68,410,963

Commitments [note 13]

See accompanying notes to the consolidated financial statements

On behalf of the Board:

"John Seaman"
Director

"Ewan Downie"
Director



(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT

(Unaudited)

(Stated in Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
REVENUE				
Investment income	7,361	104,841	37,602	340,777
Other income	1,500	1,215	5,000	4,504
	8,861	106,056	42,602	345,281
EXPENSES				
Amortization	4,215	12,029	8,658	22,817
Compensation adjustment for stock options granted <i>[note 9]</i>	3,699,763	547,080	3,889,513	547,080
Flow-through interest penalty	45,237	16,055	113,157	57,416
General and administrative	387,716	463,879	921,098	758,977
Professional fees	55,522	99,258	84,859	125,060
	4,192,453	1,138,301	5,017,285	1,511,350
Loss before the following	(4,183,592)	(1,032,245)	(4,974,683)	(1,166,069)
Unrealized gain on investments	591,977	346,879	1,769,619	411,785
Gain (loss) on sale of investments	(427,081)	14,237	(1,101,516)	111,632
Gain on sale of mineral properties <i>[note 6]</i>	98,494	5,409,108	98,494	5,409,108
Earnings (loss) before income taxes	(3,920,202)	4,737,979	(4,208,086)	4,766,456
Income taxes				
Current	28,608	-	14,359	-
Future tax expense (recovery)	(101,124)	1,581,188	(98,170)	1,585,923
	(72,516)	1,581,188	(83,811)	1,585,923
Earnings (loss) and comprehensive earnings (loss) for period	(3,847,686)	3,156,791	(4,124,275)	3,180,533
Deficit, beginning of period	(2,933,108)	(2,854,961)	(2,656,519)	(2,878,703)
Retained earnings (deficit), end of period	(6,780,794)	301,830	(6,780,794)	301,830
Basic and diluted earnings (loss) per share <i>[note 11]</i>	(0.04)	0.05	(0.05)	0.05

See accompanying notes to the consolidated financial statements



(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Stated in Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Earnings (loss) and comprehensive earnings (loss) for period	(3,847,686)	3,156,791	(4,124,275)	3,180,533
Add charges to earnings not involving a current payment (receipt) of cash				
Amortization	4,215	12,029	8,658	22,817
Compensation adjustment for stock options granted	3,699,763	547,080	3,889,513	547,080
Unrealized gain on investments	(591,977)	(346,879)	(1,769,619)	(411,785)
Future tax expense	(101,124)	1,581,188	(98,170)	1,585,923
Gain on sale of mineral properties	(98,494)	(5,409,108)	(98,494)	(5,409,108)
Loss (gain) on sale of investments	427,081	(14,237)	1,101,516	(111,632)
	(508,222)	(473,136)	(1,090,871)	(596,172)
Net change in non-cash working capital balances related to operations	(1,661,026)	138,763	(2,232,438)	1,284,731
Cash provided by (used in) operating activities	(2,169,248)	(334,373)	(3,323,309)	688,559
INVESTMENT ACTIVITIES				
Mineral exploration and development expenditures, net	(5,251,897)	(3,659,788)	(9,886,037)	(6,034,737)
Proceeds from the sale of investments, net	379,900	12,922,828	772,970	14,545,806
Net change in non-cash working capital balances related to investing activities	708,321	1,946,504	3,159,939	2,094,839
Purchase of property, plant and equipment	(1,396)	(27,334)	(1,396)	(64,055)
Cash provided by (used in) investment activities	(4,165,072)	11,182,210	(5,954,524)	10,541,853
FINANCING ACTIVITIES				
Proceeds from the exercise of stock options	236,500	-	339,500	-
Proceeds from the exercise of share purchase warrants	-	535,200	-	1,480,200
Cash provided by financing activities	236,500	535,200	339,500	1,480,200
Increase (decrease) in cash during period	(6,097,820)	11,383,037	(8,938,333)	12,710,612
Cash, beginning of period	16,165,227	4,847,896	19,005,740	3,520,321
Cash, end of period	10,067,407	16,230,933	10,067,407	16,230,933

See accompanying notes to the consolidated financial statements



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
(with comparative figures as at December 31, 2008)
(Stated in Canadian Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Premier Gold Mines Limited (the "Corporation" or "Premier") was incorporated under the laws of the Province of Ontario on May 29, 2006, and was inactive until August 18, 2006.

On August 18, 2006 the Corporation entered into an agreement with Wolfden Resources Inc. ("Wolfden") whereby Wolfden completed a re-organization by way of a statutory plan of arrangement (the "Arrangement"). Pursuant to the Arrangement, Wolfden transferred certain of its mineral property interests in Ontario and \$2,000,000 cash to the Corporation and each registered holder of Wolfden common shares was entitled to receive one New Wolfden common share and 0.7 of a Premier common share in exchange for each Wolfden common share held by the shareholder immediately prior to the effective date. The mineral properties transferred were recorded at the carrying value of Wolfden immediately prior to the re-organization.

On October 5, 2008 Premier incorporated a Mexican subsidiary referred to as Oro Premier de Mexico, S.A. de C. V. ("Oro Premier"), in connection with the acquisition of certain mineral claims located in the El Alamo Mining District, Baja California, Mexico.

The Corporation is in the exploration stage and its principal business activity is the acquisition, exploration and development of mineral properties that it believes contain mineralization that will be economically recoverable in the future.

The accompanying unaudited interim consolidated financial statements have been prepared on the basis of Canadian generally accepted accounting principles applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, the ability to realize assets and discharge liabilities in the normal course of business in the foreseeable future and the ability of the Corporation to raise additional capital. Specifically, the recovery of the Corporation's investment in mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of Premier have been prepared by management on the basis of the Corporation's continuance as a going-concern and follow the same accounting policies as the most recent annual audited financial statements except for the changes as noted below. The interim consolidated financial statement note disclosures do not include all of those required by Canadian generally accepted accounting principles applicable for annual financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the 2008 audited consolidated financial statements. These unaudited interim consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Oro Premier. All significant intercompany balances and transactions have been eliminated.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
 (with comparative figures as at December 31, 2008)
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RECENT ACCOUNTING PRONOUNCEMENTS

Mining exploration costs

On March 27, 2009, the Canadian Institute of Chartered Accountants approved EIC 174, "Mining Exploration Costs". The EIC provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The Corporation has applied this new abstract at the date of issuance resulting in no impact on its consolidated financial statements.

FUTURE ACCOUNTING CHANGES

Convergence with International Financial Reporting Standards

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 International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to implement IFRS, which will replace Canadian GAAP for these types of entities.

The effective date for this change is interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of quarterly and annual amounts reported by the Corporation for the year ended December 31, 2010. The Corporation is in the process of developing a plan for IFRS convergence. Detailed analysis of the differences between IFRS and the Corporation's accounting policies and assessment of the various alternatives for first time adoption of IFRS are in progress. Training for key employees has begun and will continue throughout implementation. Due to the anticipated changes in IFRS prior to transition, it is currently not possible to full determine the impact on the consolidated results.

Business combinations / consolidated financial statements / non-controlling interests

In January 2009, the CICA adopted sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests" which superseded current sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. These new sections were created to converge Canadian GAAP to IFRS.

3. CASH AND CASH EQUIVALENTS

	2009	2008
	\$	\$
Cash	3,838,276	1,714,001
Short-term deposits	6,229,131	17,291,739
	10,067,407	19,005,740

As at June 30, 2009, the Corporation held short-term deposits consisting of Canadian dollar denominated short-term financial instruments maturing within 79 days, yielding 0.070% - 0.201% [December 31, 2008 - 90 days, yielding of 0.606% - 1.586%].



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
 (with comparative figures as at December 31, 2008)
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4. LONG-TERM INVESTMENTS

	2009		2008	
	Market \$	Cost \$	Market \$	Cost \$
Equities				
Canadian entities (*)	1,741,200	2,967,503	1,742,617	4,558,990
Other Financial Assets				
Investment in warrants (**)	230,850	427,500	51,300	427,500
	1,972,050	3,395,003	1,793,917	4,986,490

(*) Current year includes 950,000 PC Gold Inc. shares with a value of \$494,000 (2008 - 1,900,000 units with a value of \$722,000) which are subject to a Tier 1 Value Security Escrow Agreement. By November 2010 the Corporation will have received 100% of the shares held subject to the Escrow Agreement.

(**) The Corporation was granted 950,000 warrants in relation to the disposal of its interest in the Pickle Crow Project. These warrants are also subject to the Tier 1 Value Security Escrow Agreement. On the date of grant the warrants had an estimated fair value of \$427,500, which was revalued to its fair value of \$230,850 on June 30, 2009 [2008 - \$51,300]. The fair value on June 30, 2009 was based on an expected volatility of 200%, risk free rate of 0.97%, no dividends to be paid, and remaining life of ten and a half months.

Canadian equities represent shares of publicly traded entities listed on Canadian exchanges.

Market value of equities is determined at the trading values as at June 30, 2009 and December 31, 2008.

5. PROPERTY, PLANT AND EQUIPMENT

Details of period-end property, plant and equipment balances are as follows:

	2009		2008	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Office equipment	102,528	50,544	101,132	41,886
Property, plant and equipment, net		51,984		59,246

Amortization for the period is \$8,658 [2008 - \$27,842].



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
 (with comparative figures as at December 31, 2008)
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6. MINERAL PROPERTIES

As of June 30, 2009, accumulated costs with respect to the Corporation's interest in mineral properties owned, leased or under option, consisted of the following:

	2009			2008	
	Deferred exploration expenditures \$	Acquisition cost \$	Option payments received \$	Total \$	Total \$
Rahill-Bonanza Project, Ontario(*)	7,030,315	19,267,617	(440,000)	25,857,932	25,300,212
East Bay Project, Ontario(*)	66,720	6,225,083	-	6,291,803	6,291,803
PQ North, Ontario (**)	1,928,749	114,455	-	2,043,204	672,429
Hardrock, Ontario (*)	7,072,537	3,031,395	-	10,103,932	3,092,295
Geraldton, Ontario (*)	7,982,469	1,668,000	-	9,650,469	8,552,074
Other Areas (*)	2,423,094	1,099,417	-	3,522,511	3,112,190
	26,503,884	31,405,967	(440,000)	57,469,851	47,021,003

(*) The property descriptions can be found in the December 31, 2008 audited consolidated financial statements.

(**) The property description can be found in the March 31, 2009 consolidated financial statements.

Property acquisitions and agreements

On April 17, 2009 the Corporation entered into an Option and Purchase Agreement (the "Option") with Newcastle Resources Ltd. (the "Vendor") to acquire a 100% interest in ten patented mining claims, the "Lennie Property", located in the Red Lake district in the Province of Ontario, as previously announced on February 18, 2009. For this acquisition, Premier will pay \$400,000 in cash payments over three years and 160,000 shares of Premier, including \$100,000 and 40,000 shares on signing. A 3.0% Net Smelter Return royalty ("NSR") is payable to the Vendor, of which one-third (1% NSR) can be purchased at any time for the sum of \$1.0 Million. Premier shall incur \$750,000 in exploration expenditures over the next thirty-six months. A finders' fee of \$10,000 was paid to an arm's length party in relation to this transaction.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
(with comparative figures as at December 31, 2008)
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On May 22, 2009 the Corporation entered into an agreement with Skybridge Development Corp., a wholly owned subsidiary of Mega Silver Inc. ("Mega"), in respect of an option to dispose of its interest in the "East My-Ritt" property in Red Lake, Ontario. East My-Ritt is a 50/50 joint venture with Sabina Silver Corporation ("Sabina"). Aggregate consideration over a 5 year period to be paid to Premier/Sabina is as follows: \$250,000 cash, 600,000 Mega common shares, and \$1,250,000 in exploration work commitments. In addition, there is a 0.5% net smelter return relating to the acquisition retained by Premier/Sabina.

On June 19, 2009 the Corporation executed an agreement to sell its interest in the "Argosy Property" to Cangold Limited. The purchase price payable to Premier was \$210,000, to be paid by the issuance by Cangold to Premier of 2,000,000 fully paid, non-assessable common shares of Cangold at a deemed consideration of \$0.10 per share and \$10,000 by cheque or bank draft payable to Premier. In addition to the purchase price, Cangold will pay or reimburse Premier's reasonable legal costs, not to exceed \$5,000. Premier shall retain a 0.5% Net Smelter Return royalty interest, which Cangold may purchase at any time for \$500,000.

7. MINERAL PROPERTY HELD FOR SALE

Newman Madsen

Mineral property held for sale includes the Newman Madsen Property with a book value of \$82,064. As at June 30, 2009 the Corporation was in discussions with other parties regarding the possible sale of the Corporation's interest in this mineral property.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
 (with comparative figures as at December 31, 2008)
 (Stated in Canadian Dollars)

8. COMMON SHARES

The Corporation is authorized to issue an unlimited number of common shares.

	Number #	Value \$
Balance December 31, 2007	68,397,742	45,544,683
Private placements	7,800,096	14,040,179
Stock options exercised	5,000	9,750
Shares issued for mineral properties	800,000	1,614,000
Warrants exercised	796,000	1,480,200
Reallocation from contributed surplus amounts relating to the exercise of stock options	-	5,290
Reallocation from share purchase warrants amounts relating to the exercise of share purchase warrants	-	281,482
Tax effect of Flow-through share renunciation	-	(1,508,000)
Shares issued for consulting services	87,516	134,774
Shares issued in settlement of share issue costs	178,825	284,924
Share issue costs	-	(569,854)
Balance, December 31, 2008	78,065,179	61,317,428
Stock options exercised	205,000	339,500
Shares issued for mineral properties	240,000	542,400
Reallocation from contributed surplus amounts relating to the exercise of stock options	-	182,855
Tax effect of Flow-through share renunciation	-	(4,071,650)
Balance, June 30, 2009	78,510,179	58,310,533

2009

Shares issued for Mineral Property #1

The Corporation issued 40,000 common shares to Newcastle Resources Ltd. on April 14, 2009 upon closing of the agreement to acquire the Lennie Property (note 6 - Property acquisitions and Agreements).

Shares issued for Mineral Property #2

The Corporation issued 200,000 common shares on May 20, 2009 to Roxmark Mines Ltd. in relation to the Geraldton Project Joint Venture agreement dated July 18, 2008.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
 (with comparative figures as at December 31, 2008)
 (Stated in Canadian Dollars)

9. SHARE INCENTIVE PLAN

The Corporation has a share incentive plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

The following table reflects the continuity of stock options under the Plan:

	Number of Stock Options		Weighted Average Exercise Price	
	2009 #	2008 #	2009 \$	2008 \$
Opening balance	2,839,610	2,015,000	1.71	1.62
Options granted	2,832,640	1,114,610	2.68	2.00
Options cancelled	(222,500)	(285,000)	1.78	2.25
Options exercised	(205,000)	(5,000)	1.83	1.95
	5,244,750	2,839,610	1.84	1.71

The following table reflects the stock options outstanding as at June 30, 2009:

Expiry Date	Exercise Price \$	Options Outstanding #
March 10, 2010	2.05	200,000
September 15, 2011	1.00	800,000
August 8, 2012	1.95	750,000
April 25, 2013	2.00	768,000
July 29, 2013	2.59	75,000
October 15, 2013	2.00	10,000
December 24, 2013	1.50	209,110
May 27, 2014	2.50	137,640
June 17, 2014	2.66	2,295,000
		5,244,750

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, \$3,889,513 was recorded as compensation for the 2,889,140 stock options that vested during the period. Of the 5,244,750 options issued, 67,500 have not yet vested.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions: no dividends to be paid, expected volatility of 62% to 66%, risk-free interest rate of 0.73% to 1.78%, expected life of 1 to 5 years.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
 (with comparative figures as at December 31, 2008)
 (Stated in Canadian Dollars)

10. CONTRIBUTED SURPLUS

The following table reflects the continuity of contributed surplus as at June 30:

	2009
Balance, December 31, 2008	3,597,986
Stock options vested	3,889,513
Stock options exercised	(182,855)
Balance, June 30, 2009	7,304,644

11. EARNINGS (LOSS) PER SHARE

The basic earnings (loss) per share is computed by dividing the earnings (loss) for the period by the weighted average number of common shares outstanding during the period. Fully diluted earnings (loss) per share is the same as basic earnings (loss) per share. The effect of common share purchase options and warrants on the net loss is not reflected as to do so would be anti-dilutive.

The following table sets for the computation of basic and diluted earnings (loss) per share:

	2009	2008
<u>Numerator:</u>		
Net earnings (loss)	(4,124,275)	222,184
<u>Denominator:</u>		
Weighted average number of common shares	78,173,577	70,190,986
Basic and diluted earnings (loss) per share	(0.05)	-

12. RELATED PARTIES

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

[a] Included in general and administrative expenses are amounts totaling \$26,431 (2008 - \$26,175) for corporate secretarial services provided by companies related to the Corporation through a common officer.

[b] During the period, the Corporation paid \$186,088 (2008 - \$241,157) for rent, facilities related charges, and accounting and management services provided by a company related to the Corporation through a common officer.

[c] Included in accounts receivable are amounts totaling \$105,987 (2008 - \$105,513) in proceeds and expenses relating to the sale of office and computer equipment and transitioning of facilities and management services to a company related to the Corporation by a common officer.

[d] During the period, the Corporation disposed of a mineral property to Mega Silver Inc., a company related to the Corporation through a common director (see note 6).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
(with comparative figures as at December 31, 2008)
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13. COMMITMENTS

The Corporation has commitments relating to a contract for facilities, and management and accounting services expiring June 2011, and operating leases for three vehicles expiring October 2010, April 2011, and September 2011 respectively.

The minimum annual lease payments for the next three years are as follows:

2009	192,996
2010	384,191
2011	190,382
	<hr/>
	767,569

Flow-through renunciation

As at December 31, 2008, the Corporation has renounced 100% of its flow-through related resource expenditures to investors. The Corporation had until February 1, 2009 to incur the expenditures before monthly interest charges began to accrue on unspent funds. Interest charges incurred by the Corporation as a result of this income tax legislation are charged to income in the period incurred. Of the \$14,040,179 in flow-through financing raised in 2008 the Corporation has incurred \$9,454,825 in exploration expenditures. Therefore the Corporation must incur an additional \$4,585,354 in exploration expenditures to fulfil its obligation by December 31, 2009.

14. MANAGEMENT OF CAPITAL RISK

The Corporation's objective when managing capital is to safeguard the Corporation'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 optimises the costs of capital at an acceptable risk. In the management of capital, the Corporation includes the components of shareholders' equity, as well as cash and cash equivalents and investments. The Corporation 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 Corporation may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and investments.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
 (with comparative figures as at December 31, 2008)
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15. MANAGEMENT OF FINANCIAL RISK

The Corporation had no held-to-maturity or available for sale instruments and no allowance for credit losses as at June 30, 2009 and December 31, 2008:

	2009	2008
Financial Assets		
<i>Held for trading, measured at fair value</i>		
Cash and cash equivalents	10,067,407	19,005,740
Long term investments	1,972,050	1,793,917
	12,039,457	20,799,657
 <i>Loans and receivables, measured at amortized cost</i>		
Accounts receivable	259,244	167,008
	259,244	167,008
 Financial Liabilities		
<i>Other liabilities, measured at amortized cost</i>		
Accounts payable and accrued liabilities	2,263,681	1,215,890
	2,263,681	1,215,890

(a) Currency risk

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Corporation operates in both Canada and Mexico and a portion of its expenses are incurred in Mexican Pesos. As at June 30, 2009 there are no significant financial instruments denominated in Mexican Pesos. Changes in the currency exchange rates between the Canadian dollar relative to the Mexican Peso could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations. At June 30, 2009 there is no significant foreign exchange risk to the Corporation.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Corporation manages its credit risk by holding cash equivalents and investments through large Canadian financial institutions. Investments (including those presented as part of cash and cash equivalents) are composed of financial instruments guaranteed by the Federal Government of Canada. These investments mature at various dates over the current operating period. The Corporation's receivables consist of sales taxes due from the Federal Governments of Canada and other amounts from Canadian Corporations.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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(Stated in Canadian Dollars)

(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 Corporation will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Corporation manages its interest rate risk by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates.

(e) Fair value

Financial instruments consist of cash and cash equivalents, investments, accounts receivable, and accounts payable and accrued liabilities. The fair value of these financial instruments approximate their carrying value, unless otherwise noted, due to the short terms to maturity.

16. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year. These reclassifications have no material effect on the financial statements.