



Management's Discussion and Analysis

For the three months ended June 30th, 2010

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Management's Discussion and Analysis of Financial Condition and Results of Operations

This management discussion and analysis of San Gold Corporation ("San Gold" or the "Company") should be read in conjunction with the Company's audited annual financial statements for the period ending December 31, 2009 and interim financial statements for the period ending June 30, 2010 notes thereto. Unless otherwise indicated, this discussion is based on Canadian dollars and presented in accordance with Canadian generally accepted accounting principles. References to "San Gold" or the "Company" include references to the subsidiaries of the Company where the context requires.

Forward Looking Statements

This management discussion and analysis contains "forward-looking statements" within the meaning of Canadian securities legislation. These forward-looking statements are made as of the date of this management discussion and analysis and San Gold does not intend, and does not assume any obligation, to update these forward-looking statements.

Forward-looking statements may include, but are not limited to, statements with respect to estimates of mineral resources, the future price of gold, realization of mineral resources estimates, timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of developing new deposits, success of exploration activities, permitting time lines, fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, integration of acquisitions, as well as those factors discussed below in the sections entitled "Other MD&A Requirements and Additional Disclosure and Risk Factors". Although the Company has attempted to identify important factors that could cause actual actions, events, or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. See "Other MD&A Requirements and Additional Disclosure and Risk Factors".

Date of Report

August 16th, 2010

Overview

The Company's main operation consists of exploring for gold in the Rice Lake area of South Eastern Manitoba, Canada and producing gold from the Company's underground mines (the "Rice Lake" mine and the "Hinge" mine). The Rice Lake mine was formerly called the San Antonio mine and is known by some as the Bissett mine. During the quarter, the Company continued to develop the Hinge mine as a secondary source of ore to supplement the main Rice Lake mine ore bodies. The Hinge mine is approximately 1.5 kilometers east of the Rice Lake mine and mill. Additionally, the Company achieved further success in expanding the new discoveries of mineralization to the East of the Rice Lake mine - referred to as the 007 zone, the Cohiba zone and the L-13 zone. During the quarter the company completed a new decline from the Hinge mine to the 007 zone and intersected ore by quarter end.

Corporate evolution

The Company's operations in the Rice Lake area of Manitoba, including the Rice Lake mine, the San Gold #1 mine, the Hinge Mine and the surrounding property and mineral claims of the Company are referred to as the "Rice Lake Project".

San Gold Corporation amalgamated with its wholly owned subsidiary, Rice Lake Gold Corporation on January 1st, 2009. This has no impact on the financial disclosures of the Company as prior to the amalgamation; all activities of Rice Lake Gold Corporation were consolidated into the financial statements. The Company produces gold from underground ore reserves at the Rice Lake Project. During the year, ore from the Rice Lake mine was processed at the Rice Lake mill. The Company commenced commercial production of the Hinge mine last year. The capacity of the Rice Lake mill is currently 1,250 tons of ore per day.

In 2009, the Company spun off several Timmins option agreements to its subsidiary, SGX Resources Inc. for consideration of 19,000,000 shares. This brings total holdings to 25,000,000 shares representing approximately 48% of the outstanding shares of SGX Resources Inc. The Company also entered into a renewed agreement with Strikepoint Gold Inc. regarding 26 claims in the Rice Lake area.

On January 22nd, 2010, the Company completed its agreement with Laurion Mineral Exploration Inc. to purchase, for consideration of \$1,000,000 cash and 1,000,000 shares, Laurion's property interests in the Tisdale Township, which consists of Laurion's 31.5% interest in the Davidson-Tisdale property and Laurion's 100% interest in the North Tisdale property. The purchase of the Davidson Tisdale property is outright and free of any royalty while Laurion will retain a 2% net smelter royalty on the North Tisdale property.

Operational value chain

Gold is recovered from the ore mined at the Rice Lake Project and refined to dore bars at the Rice Lake mill. The bars are transported by armoured car and other secure means to a commercial refinery in Southern Ontario and refined into bars of 99.5% purity or higher on behalf of the Company. Revenue is recognized when the dore bars are shipped and recorded as an account receivable until a certificate or payment is received. Once agreement on purity level is achieved, the refined gold is exchanged for certificates or sold directly. The certificates are accounted for as a marketable security and ultimately sold to fund operations. The Company does not undertake any hedging arrangements and records the sale at the realized price. Any gain or loss on holding the certificate is recorded as a mark to market adjustment.

The Company continues to undertake extensive exploration and development work, primarily in the Bissett area of Manitoba.

Reserves and Resources

The Company increased its ore resources and reserves from Measured plus Indicated (M plus I) resources of 326,280 ounces [1,267,100 tons at 0.26 oz/ton] and inferred resources of 225,000 ounces [734,000 tons at 0.31 oz/ton] of gold in 2004, when its predecessor companies acquired Harmony Gold (Canada) Inc., to M plus I resources of 402,880 ounces [1,556,600 tons at 0.26 oz/ton] and inferred resources of 1,197,670 ounces [4,772,800 tons at 0.26 oz/ton] of gold as further described in the National Instrument 43-101 compliant technical report dated December 1, 2006.¹

During the prior quarter on March 1, 2010, the Company released its updated 43-101 compliant resource tables with the complete document made available on April 14th, 2010. The disclosure updates Measured and Indicated resources for the Hinge mine to 239,180 ounces [612,600 tons at 0.39 oz/ton (13.4 g/tonne)] and Inferred resources to 538,700 ounces [1,375,200 tons at 0.39 oz/ton (13.4 g/tonne)] of gold. Results from the 007 zone are also summarized with 193,695 Indicated ounces [74,960 tons at 2.58 oz/ton (88.4 g/tonne)] and 522,857 Inferred ounces [293,740 tons at 1.78 oz/ton (61.0 g/tonne)] of gold. Taken together the two zones increase Measured plus Indicated by 432,875 ounces [687,560 tons at 0.63 oz/ton (21.6 g/tonne)] and Inferred by 1,061,557 ounces [1,668,940 tons at 0.64 oz/ton (21.9 g/tonne)].

A tabular summary of the Company's published Reserve and Resource information is presented on the following page. San Gold's combined project-wide Resources and Reserves include Measured plus Indicated resources of 835,755 ounces [2,244,160 tons at 0.37 oz/ton] and Inferred resources of 2,259,227 ounces [6,441,740 tons at 0.35 oz/ton]. Readers are cautioned that these totals result from the sum of two separate NI 43-101 compliant technical reports.

The terms Mineral Resource, Measured Mineral Resource, Indicated Mineral Resource and Inferred Mineral Resource are defined in and required to be disclosed by National Instrument 43-101. The methods used to develop these estimates and any relevant economic conditions are described within each of the NI 43-101 documents identified here. Investors are cautioned not to assume that any part or all of the Mineral deposits in these categories will ever be converted into reserves. Inferred Mineral Resources have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian securities laws, estimates of Inferred Mineral Resources may not form the basis of a Feasibility Study or Prefeasibility Study, except in rare cases.

In interpreting National Instrument 43-101 and applying the criteria set forth in Companion Policy 43-101CP Standards of Disclosure for Mineral Projects, the Corporation had determined that the properties covered by the Geox Technical Report constitute a separate property for the purposes of National Instrument 43-101. In the course of a continuous disclosure review, staff at the Ontario Securities Commission have noted to the Corporation that they interpret National Instrument 43-101 in a manner such that a single property, for the purposes of National Instrument 43-101, includes interests represented by multiple claims or other documents of title that are contiguous or in such close proximity that any underlying Mineral deposits likely would be developed using common infrastructure. The interpretation of staff of the Ontario Securities Commission is reflected in the proposed amendments to National Instrument 43-101 and Companion Policy 43-101CP Standards of Disclosure for Mineral Projects, which were published for comment on April 22, 2010 and for which the comment period expired on July 23, 2010. In response to the comments received from staff at the Ontario Securities Commission during the continuous disclosure review, the Corporation will file a single updated technical report in respect of properties covered by the Howe Technical Report and the Geox Technical Report.

¹ Mineral Resource and Mineral Reserve Estimates as of December 1, 2006" prepared by A.C.A. Howe International Limited, Mining and Geological Consultants.

Growth strategy

The Company's growth strategy is two-fold: (i) to establish a profitable mine production level and (ii), to continue exploration activities towards increasing the level of reserves and resources. This strategy includes seeking joint venture and other relationships with companies or individuals that can be accretive to reserves and resources and by extension, accretive to shareholder value.

Summary of published Reserve and Resource Information

RESERVES			
	Tons	Oz./ton	Ounces
Rice Lake Mine			
Proven Mineral Reserves	389,600	0.26	98,970
Probable Mineral Reserves	597,100	0.28	162,700
Total Proven plus Probable Reserves	986,700	0.28	261,670
San Gold #1 Mine			
Proven Mineral Reserves	75,950	0.14	10,280
Probable Mineral Reserves	180,150	0.26	47,100
Total Proven plus Probable Reserves	256,100	0.22	57,380
Cartwright Zone			
Probable Mineral Reserves	54,700	0.27	14,720
Rice Lake Project Total Reserves	1,297,500	0.26	333,770
Note –the measured and indicated resources include the proven and probable reserves			
RESOURCES			
Rice Lake Mine			
Measured Mineral Resources	320,100	0.28	88,530
Indicated Mineral Resources	644,000	0.29	186,770
Total Measured and Indicated Resources	964,100	0.29	275,300
Inferred Mineral Resources	1,879,500	0.29	551,620
San Gold #1 Mine			
Measured Mineral Resources	69,000	0.15	10,280
Indicated Mineral Resources	214,200	0.24	52,150
Total Measured and Indicated Resources	283,200	0.22	62,430
Inferred Mineral Resources	936,500	0.22	206,900
Cartwright Zone			
Indicated Mineral Resources	136,200	0.22	29,830
Inferred Mineral Resources	1,761,200	0.22	388,940
San Gold #2-3 Zones			
Indicated Mineral Resources	173,100	0.2	35,320
Inferred Mineral Resources	195,600	0.26	50,210
Hinge Mine			
Measured Mineral Resources	116,300	0.53	61,980
Indicated Mineral Resources	496,300	0.36	177,200
Total Measured and Indicated Resources	612,600	0.39	239,180
Total Inferred Resources	1,375,200	0.39	538,700
007 Zone			
Indicated Mineral Resources	74,960	2.58	193,695
Inferred Mineral Resources	293,740	1.78	522,857
San Gold Total Mineral Resources			
Total Measured plus Indicated	2,244,160	0.37	835,755
Total Inferred	6,441,740	0.35	2,259,227

Overall Performance and Results of Operations

The Company continues its progress towards generating positive cash flows from operations but has yet to achieve that milestone and therefore remains dependent upon existing working capital or financing activities to fund operations. Of significant note was the completion of a short form prospectus financing undertaken in the subsequent period that saw the issuance of 21,133,100 common shares at \$4.00 each for gross proceeds of \$84,532,400. The offering was subject to a cash commission of 5% payable to the underwriters. After these fees and various and sundry closing costs the Company obtained net proceeds of \$79,866,543. Activities continue to be directed towards the Company's primary business objectives of increasing the mineral reserves and resources and bringing the mining operations to a self-sustaining level of production. The Company has declared commercial production at the Hinge mine so revenue is now being recognized on the gold produced there. At Rice Lake the Company reports 1,315 feet of capital development and 2,615 feet of development overall with work progressing on a new escapeway. At the Hinge the Company achieved 3,183 feet of capital development and 4,765 feet of overall development. At the end of the first quarter, the Company completed a significant flow through financing intended to fund continued exploration and test work at the new 007 project.

As at June 30th, 2010 and August 13th, 2010 (the date of this report) the Company had sufficient cash on hand to fund current exploration and production operations. The Company will not be required to pursue additional debt or equity financing in the near term – short and medium term plans are now funded. Although management has been successful in obtaining financing in the past, there can be no assurance that management will be able to do so in the future on terms acceptable to the Company.

Despite the economic crisis affecting access to capital for many companies, gold producers seem to remain in favour as many industry participants, including this Company continue to be successful in raising capital; also, the price of gold remains favourable. Revenue from the sale of gold is a growing source of funding for the Company as revenue levels continue to climb. From a cash perspective in fact, the Company's revenue of \$12,606,691 exceeded its cash operating expenses of \$11,193,545 during the quarter.

The Company's consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of operations for the foreseeable future. The interim unaudited consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenue and expenses and balance sheet classifications that may be necessary were the going concern assumption inappropriate. These adjustments could be material.

Financial Condition and Liquidity

As at June 30th, 2010 the Company had current assets of \$33.1 MM including \$18.4 MM in short term high grade investment securities. This compares to \$57.1 MM of current assets at the comparable time last year. The Company had current liabilities of \$10.6 MM as at June 30th, 2010 (2009 - \$11.9 MM). Of this amount, \$1.9 MM is funded through a restricted promissory note (2009 – \$6.3 MM). As at June 30th, 2010, the Company had a working capital surplus of \$22.5 MM compared to a working capital surplus of \$45.2 MM at June 30, 2009. Liquidity of the prior comparable quarter was considerably bolstered through the exercise of warrants.

Therefore, as at June 30th, 2010, the Company has sufficient cash reserves to meet currently planned exploration and development activities and to fund operational activities in the short and medium term. The Company was successful in a significant equity financing in the subsequent period, which will greatly assist in meeting obligations and discharging liabilities as they become due. A primary focus of the Company remains working towards a positive cash flow performance.

Results of Operations

The Hinge is in commercial production. The Company is developing a bulk sample at 007 which is expected for the third quarter of 2010. The Company recognized revenue of \$12.6 MM for the quarter and \$26.6 MM for the year to date. The result was a net loss from operations, similar to the prior quarter, of \$2.0 MM for the quarter and a \$4.3 MM for the year to date. The comparative quarter in the same period last year showed an operating loss of \$6.9 MM and \$10.9 MM for the prior YTD. The comprehensive loss from operations for the quarter was \$7.9 MM for the quarter and \$8.2 MM for the YTD in comparison to a loss of \$10.8 MM in the same quarter of the prior year and \$19.3 MM for the prior YTD. In cash terms, the quarter generated a modest operating contribution before non-cash items and exploration and general and administrative expenses. Operating profit margin (please see discussion of Non-GAAP Financial Measures) per ounce is calculated as \$543 at the Hinge mine and an operating loss per ounce of \$324 at Rice Lake. Cash cost per ounce at the Hinge was \$685 and \$116 per ton, cash cost at Rice Lake was \$1,552 per ounce and \$283 per ton. In total this meant the overall cash cost was \$1,084 per ounce and \$190 per ton – still developmental but materially improved over the same quarter last year of \$280 per ton and \$2,833 per ounce cash costs. (Please see discussion on Non-GAAP financial measures for a detailed calculation and reconciliation of these figures to our GAAP financial statements). Note that 5,000 tons were mined at the Hinge that were not milled in the quarter and the above noted figures are calculated on milled tonnage only. The primary driver of the improving performance is the higher level of gold production as the Company continues to increase activity levels. The operations at the Hinge demonstrate better economic viability in the short term than the deeper historical Rice Lake mine. Rice Lake has utility both in expanded production of the ore body but also provides an optimum platform for exploration and future access to potential extensions of the Hinge, 007, L-13 and Emperor Zones at depth.

With respect to drilling and exploration activity, the Company continues its program with \$2.2 MM spent during the quarter on exploration activity in comparison to \$0.7 MM in the same quarter last year. The Company drilled over 73,000 feet from surface during the quarter primarily aimed at definition of the 007 zone, L-13 zone and Cohiba zone. The Company also drilled at Rice Lake mine with over 35,000 feet of drilling being completed. The Company also drilled over 22,000 feet underground at the Hinge and just less than 20,000 feet of surface infill drilling at the Hinge and 007. The surface and underground drilling programs continue to confirm the geologic model that correlates historical mining in Rice Lake with the new near surface discoveries at the Hinge and 007. This predictive model will be used to identify new targets through extrapolation between the known mineralization and stepping out in the surrounding area. During the quarter, San Gold drilled 22,250 meters (73,000 feet) of exploration from surface, 10,700 meters (35,000 feet) of underground drilling in the Rice Lake Mine, and 6,700 meters (22,000 feet) of underground drilling at the Hinge Mine. These programs were focused on further defining and extending the Hinge, 007, and RL East zones while pursuing new exploration targets such as the Emperor zone. Drilling especially focused on extending the known limits of the 007 zone down plunge and along strike, as well as infill drilling in order to upgrade resources to reserves.

San Gold mined 63,024 tons during the quarter and milled 58,098 tons of ore or the equivalent of 638 tons per day average production rate during the second quarter. The operations achieved 33 days with production levels in excess of 800 tons per day and 14 days in excess of 1,000 tons per day. Unplanned repairs were undertaken on the cone crusher that resulted in no milling occurring in the last week of June. The mining contractor is on target to complete the escape-way raise at Rice Lake Mine and did complete the access to 007 ore zone with over 1,400 feet of ramp development completed during the quarter.

On a year-to-date basis the mine has had two lost time accidents or LTA's and the LTA frequency has been reduced to 1.15. The target for 2010 is an LTA frequency rate below 1.00, which would be comparable to the best safety performance amongst our peer group. On a year-to-date basis the mine has had three medical aids or MA's; the MA frequency has been reduced to 1.72. The target for 2010 is a MA frequency of less than 4.00.

The Company continued to be successful in attracting and retaining experienced miners and technical staff and is well positioned to continue increasing daily production levels. Closures of other mines as well as the continued

successes of San Gold is attracting and retaining experienced miners and technical staff in what has historically been a key challenge facing the Company. The Company will continue to utilize contractors on an as required basis to supplement the current workforce in performing non-core work. Additionally, the Company has implemented a 3% of base pay defined contribution pension plan for its employees with the intent of enhancing attraction and retention.

Summary of Quarterly Results and Selected Operational Metrics

	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	12,606,691	13,988,260	11,719,526	8,844,634	3,537,833	3,706,077	3,209,754	2,096,521
Interest and Other Revenue	1,869,880	1,914,307	1,621,518	2,518,098	1,992,218	2,687,421	1,780,323	2,203,868
Income (Loss)	(7,905,272)	(339,087)	(5,223,695)	(4,983,566)	(10,797,565)	(8,471,932)	216,998	(9,842,028)
Per share (basic and fully diluted)	(0.03)	(0.00)	(0.02)	(0.02)	(0.04)	(0.04)	0.00	(0.04)
Other Selected Operational Metrics:								
Tons Milled	58,156	59,325	50,486	52,826	33,453	27,659	27,980	26,935
Head Grade (g/t)	6.76	7.71	8.36	7.84	9.79	5.48	5.58	3.70
Recovery	92.93%	93.36%	92.92%	92.27%	90.34%	88.19%	85.42%	76.49%
Gold Sales - ozs	10,190	11,984	9,999	8,398	3,307	3,299	2,682	2,276
Realized price per ounce	1,228	1,167	1,172	1,053	1,070	1,117	1,013	922

Note: all amounts are in \$CDN

The Company recognized revenue during the quarter ended June 30th 2010 of \$12,606,691 on sales of 10,190 ounces of gold. This compares to revenue of \$3,537,077 on sales of 3,307 ounces in the same quarter last year. The Company reported a net loss of \$7,905,272 (\$0.03 per share) for the three months ended June 30th, 2010 compared to loss of \$10,797,565 (\$0.04 per share) for the comparable period in the prior year. While the Company has covered its operating cash costs generating a small cash operating contribution, the overall operating loss is comparable to the prior quarter due to a tax recovery of \$7,959,465 in the first quarter of this year. The improvement in real performance over the same period last year is mostly attributable to increases in revenue as the cost structure has a high component of fixed expense. Cash costs per ounce are expected to decline as grades and production levels increase. There is a significant level of fixed expense in the operation so that as production from the Hinge comes on-line and the historical Rice Lake mine is further developed the resultant top line gains should translate directly to bottom line improvement.

The Rice Lake mine uses shrinkage, panel, longhole and mechanized cut and fill mining methods. Currently the operation is dependent on a higher percentage of lower grade development ore than is expected once the operation reaches steady state. The recovered grade of the Rice Lake ore continued to improve. As the Hinge mine and new 007 mine transitions to development and production some Rice Lake employees will be redeployed and some additional personnel will be required to supplement the current workforce. SG1 remains in care and maintenance.

Amortization expense was \$579,959 in the most recent quarter compared to \$458,191 during the comparable quarter last year. Depletion expense increased substantially to \$2,899,029 from \$588,507 in the prior year consistent with the higher production level and higher level of capitalized mineral properties being depleted.

Exploration expense was \$2,161,521 for the quarter compared to \$725,338 in the same quarter last year. Activity level and money invested in exploration related activities increased over the prior year. During the most recently completed quarter, the Company continued extensive exploration drilling of: 1.) the "Cohiba" zone located approximately 0.5 km to the East of the developing Hinge mine and 2 km to the North East of the Rice Lake mine and mill facility and 2.) the "L-13" zone located approximately 0.5 km to the west of the Hinge mines and 1.0 km to the northeast of the Rice Lake mine and mill and the 007 zone located approximately 0.7 km West of the Hinge mine.

General and administrative expenses were \$1,900,677 for the quarter completed June 30th, 2010 down from \$3,357,665 during the same quarter last year. Interest expense for the three months at \$41,520 is lower than the

same period last year of \$299,189 due to the conversion of convertible debentures. Share based compensation increased in the most recent quarter to \$1,746,104 for the most recently completed quarter from \$922,983 for the same period last year. The increase is due to an increase in the number of options granted, as more front line managers are included in the program than in previous years.

Capital Resources and Cash flows

The Company continues to work towards its mine and mill development plans and to carry out its planned exploration programs as the property transitions from an exploration/development company to a producing mine.

During the most recently completed quarter ending June 30th 2010 the Company reported a source of cash from operations of \$5.5 MM in comparison to a use of 12.2 MM for the same quarter in the previous year – this arises from the noted operating loss of \$7.9 MM including non-cash items with respect to accretion, amortization and depletion, and share based compensation. Share based compensation was \$1.7 MM this quarter in comparison to \$0.9 MM last year and as noted the item is being expensed on an accelerated basis over the three year vesting period. Non-cash working capital was a significant source of cash as a large amount of gold in transit was converted to cash during the quarter.

Investing activities include a use of cash of \$2.7 MM for the purchase of equipment during the quarter (2009 \$1.6 MM) and the capitalization of exploration and development on the mine properties of \$9.9 MM (2009- - \$6.0 MM). Investing activities also include a net purchase of marketable securities of \$16.2 MM for the quarter (2009, \$8.7 MM) as the flow through capital raise which occurred latterly in the previous quarter was invested in short term, high grade investments.

Financing activities during the second quarter consisted of the issuance of securities resulting in the Company receiving proceeds in the amount of \$2.1 MM primarily from the exercise of options in comparison to \$37.6 MM in the same quarter last year primarily from the exercise of warrants. The Company also entered into term loans on a net basis in the amount of \$0.7 MM primarily in the form of equipment financing in comparison to \$0.08 MM in the same quarter last year.

Significant projects currently being contemplated and/or recently completed include:

- Construction of new core shack facility
- Purchase of new LT 350 scooptram
- Procurement of fine ore bin for the mill
- New 49 man camp commissioned in subsequent period
- Planning of lift for tailings pond in 2nd and 3rd quarters of 2010
- Portable 30" x 42" crushing plant recently acquired
- Upgrade electrical infrastructure including 600 KVA mine Power Centre
- Construction of new surface maintenance repair facility is in progress

The Company is planning to complete a bulk mining sample for the newly discovered 007 zone in the third quarter of 2010. The flow through financing completed during the previous quarter will be used to fund much of this activity. Discoveries at the Cohiba zone and L-13 are focusing planning activity at those opportunities. The Company is currently timbering a new escapeway raise from Rice Lake to surface and is expecting to develop a new vent raise for 007 beginning in Q3 of this year. The Company is also planning further enhancements to the transformer and electrical capacities of its physical plant. The Company has completed the implementation of an ERP system for enhanced control, maintenance planning functionality and operational reporting. Funding for known items has been obtained and is currently invested in short term, minimum risk securities described in Note 3 – Marketable Securities – in the Company's annual audited financial statements.

San Gold capitalized expenditures associated with mining properties and related equipment during the quarter in the amount of \$9.9 MM and year to date in the amount of \$17.9 MM as, consistent with policy, in the opinion of management there is now the probability of future benefit with a known time horizon and the existence of an economic plan. The Company also capitalized \$ 2.7MM of property, plant and equipment during the quarter and \$3.6MM for the year to date.

In the subsequent period, on August 4th 2010, the Company issued 21,133,100 common shares at \$4.00 each for gross proceeds of \$84,532,400 pursuant to a short form prospectus offering.

In the subsequent period, on August 9th 2010, the Company entered into a purchase agreement for a 50% of a 100% interest in 18 mineral claims located in Tully Township, Porcupine Mining Division in the District of Cochrane, Ontario from Canadian Lithium Corp. The Company acquired the interest with SGX Resources Inc. for total consideration of \$200,000, 150,000 common shares of the Company, and 600,000 common shares of SGX Resources Inc. SGX Resources Inc. acquired the other 50% of the mineral claims. The sale of the mineral claims is subject to the approval of the TSX Venture Exchange and the approval of the boards of directors of the Company, SGX Resources Inc. and Canadian Lithium Corp.

Transactions with Related Parties

Wynne Mining Ltd., Wynne Drilling Ltd., Wynne's Place Ltd. and Hotel San Antonio				
	Three Month Period Ended		Six Month Period Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Accounts receivable (payable), beginning of the period	\$ (21,967)	\$ 5,324	\$ (29,967)	\$ -
Expenses at exchange amount	(1,964,243)	(1,615,908)	(4,427,633)	(3,605,459)
GST on services	(74,314)	(71,333)	(185,502)	(163,595)
Payments issued	2,063,327	1,690,535	4,645,905	3,777,672
Accounts receivable (payable), end of the period	\$ 2,803	\$ 8,618	\$ 2,803	\$ 8,618
Prepaid expenses	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000

During the quarter, the Company purchased goods and services for the sum of \$1,964,243 (June 30th, 2009 - \$1,615,908) and for the six month period ended June 30th, 2010, the Company purchased goods and services for the sum of \$4,427,633 (June 30th, 2009 - \$3,605,459 from Wynne Mining Ltd., Wynne's Place Ltd., Hotel San Antonio, and Wynne Drilling Ltd., (corporations controlled by Hugh Wynne who is a director and Chairman of the Company). These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. These services were expensed or capitalized in the year, forming part of direct exploration expenses, general & administrative expenses, or operational expenses on the Company's consolidated statements of operations and deficit. The amounts due from corporations controlled by Hugh Wynne on June 30th, 2010 of \$2,803 (June 30th, 2009 amounts due from - \$8,618) are included in the accounts payable on the Company's consolidated balance sheet. The \$200,000 prepaid expense balance arises contractually as a retainer for ongoing services from Wynne Drilling Ltd.

The Company undertakes transactions in the normal course of business with other related parties. These transactions are recognized at the exchange amount. General and administrative expenses for the quarter ended

June 30th, 2010 include \$31,000 (June 30th, 2009 - \$27,000) and the six month period ended June 30th, 2010 include \$55,000 (June 30th, 2009 - \$60,000) for fees paid to companies controlled by directors for various consulting and managerial work.

Accounts receivable includes \$361,750 (December 31st, 2010 - \$nil) due from SGX Resources Inc. The amount is the value of common shares of the Company issued to SGX Resources Inc. during the three months ended June 30th, 2010.

Periodically, the Company commissions an independent fairness opinion to provide comfort that the pricing level for related party work is on commercially competitive terms. The most recently completed fairness opinion was for surface drilling and determined that the pricing level is on commercially competitive terms for the most recently completed year.

Directors' Compensation

The Company pays non-management Directors a fee of \$3,000 per month in their capacity as Directors plus fees for committee work. In the quarter ended June 30th, 2010 total compensation paid to Directors in their capacity as Directors was \$54,000 (\$45,000 – 2009).

Critical Accounting Estimates

The preparation of the Company's consolidated financial statement requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities, as well as revenues and expenses. Please see Note 2 in our annual audited financial statements for a complete description. The following two items are determined to be the most critical by management.

Resources, Reserves and Production

The figures for resources and reserves presented in this and other documents are estimates and no assurance can be given that the anticipated level of recovery and/or grades of reserves or resources will be realized. Establishment of a gold reserve and development of a gold mine does not assure a profit on the investment or recovery of costs. In addition, geological complexity, mining hazards or environmental conditions could increase the cost of operations, and various field operating conditions may adversely affect the production from a mine. These conditions include delays in obtaining governmental approvals or consents, insufficient transportation capacity or other geological and mechanical conditions. While diligent mine supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels. Moreover, short-term operating factors relating to ore reserves and resources, such as the need for orderly development of an ore body or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period. The quantity of a given mineral tends to vary in all types of deposits. Due to the nature of drilling and building reserves, small variances both positive and negative must be anticipated. Resources are estimated based on samples that may or may not reflect the actual deposit. The combined effect of these factors could have material effects (negative or positive) on the Company's business, financial conditions and prospects.

Recoverable Values

The recoverability of deferred expenditures is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary

financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals; and attaining profitable production.

Non-GAAP Financial Measures

Total cash costs per ounce of gold

San Gold has included a non-GAAP performance measure, total cash costs per ounce of gold in this report. San Gold reports total cash costs on a sales basis. In the gold mining industry, this is a common performance measure but does not have any standardized meaning, and is a non-GAAP measure. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Total cash costs per gold ounce are derived from amounts included in the statements of earnings and include mine site operating costs such as mining, processing and administration, but exclude amortization, reclamation costs, financing costs and capital development costs. The costs included in the calculation of total cash costs per ounce of gold are divided by gold ounces produced.

The detailed calculation that reconciles to our GAAP based financial statements is as follows:

			Q2 2010	Q2 2009
	Hinge	Rice Lake		
Revenue	\$ 6,807,613	5,799,078	\$ 12,606,691	\$ 3,537,833
Operational expenses (cash)	\$ 3,768,705	7,274,840	\$ 11,043,545	\$ 9,369,781
* Tons milled	32,485	25,671	58,156	33,453
* Ounces sold	5,503	4,687	10,190	3,307
* Cash cost per ton	\$ 116	283	\$ 190	\$ 280
* Cash cost per ounce	\$ 685	1,552	\$ 1,084	\$ 2,833
Depletion			\$ 2,899,029	\$ 588,507
Amortization			\$ 579,959	\$ 458,191
Asset retirement accretion			\$ 41,780	\$ 37,909
Loss from operations - per financial statements			\$ (1,957,622)	\$ (6,916,555)

* This is a non-GAAP performance measure

Unit mining costs per ton

Unit mining costs per ton is a non-GAAP measure and may not be comparable to data prepared by other gold producers. The Company believes that this generally accepted industry measure is a realistic indication of operating performance and is useful in allowing year over year comparisons. Unit mining costs per ton is calculated by adjusting operating costs as shown in the Statement of Earnings and Comprehensive Income for inventory adjustments and then dividing by the tons processed through the mill.

Operating profit margin per ounce

Operating profit margin per ounce is a non-GAAP measure, and is calculated by subtracting the total cash costs per ounce from the average realized gold price. For the second quarter of 2010, the average realized gold price was \$1,228 less cash costs at the Hinge mine of \$685 for an operating profit margin of \$543 at the Hinge mine and operating cash costs of \$1,552 at the Rice Lake mine for an operating loss of \$324 at Rice Lake, combined the San Gold had an operating profit margin of \$144 in Q2 2010 in comparison to Q2 2009 operating profit loss of \$1,763.

Changes in Accounting Policies including Initial Adoptions

The Company initially adopted the following accounting policies during the current fiscal year:

a. Section 3064 – Goodwill and Intangibles

This change is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. There is no change in the Company's financial statements as a result of the new standard.

b. Section 3862 – Financial Instruments

Disclosures have been amended to include additional disclosure requirements about fair value measures and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. The amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009.

c. Future changes to significant accounting policies

IFRS Conversion Planning

Adoption of IFRS (International Financial Reporting Standards) for Canadian reporting Issuers – Canadian publicly accountable enterprises must use IFRS to prepare interim and annual financial statements for financial years beginning on or after January 1, 2011. The Canadian Accounting Standards Board advises that they hope to release the Canadian version of IFRS as Canadian GAAP effective for financial years beginning on or after January 1, 2009.

To date, management has created a changeover plan for IFRS conversion. Hallmarks of the change over plan include, definition of the discrete tasks required for conversion, a timeline for the completion of the discrete tasks, an estimate of the effort and duration associated with the conversion, prioritization of tasks, the assignment of key personnel within the organization and an analysis of key interdependencies relating to the conversion steps.

The conversion plan has been divided into three distinct phases and management has completed the Phase 1 planning process. The conversion itself is scheduled for completion at the end of 2010.

As part of an ongoing IFRS conversion program, management has previously reviewed potential differences between Canadian GAAP and the requirements of IAS IFRS. A comprehensive project plan was developed based upon those differences and ongoing monitoring of the work items associated with the plan has continued. In addition, management has begun phase two of the conversion effort, which encompasses a detailed review of company accounting policies, and the potential impact of IFRS on the accounting policies and financial statements of the firm. Progress on Phase II is noted below. Phase III will include evaluation of specific accounts and account balances associating them with an existing and anticipated policy and determining what disclosure and recognition changes, if any, will occur. This is expected to be complete towards the end of the third quarter of this year.

Management continues to work towards identifying differences in Canadian GAAP and IFRS within the following conversion streams:

- Expense Recognition
- Revenue Recognition
- Non-financial asset management
- Financial asset management
- Liabilities
- Financial liabilities and equities
- IT System consideration
- CEO, CFO certifications
- First time adoption of IFRS considerations

The following specific policies have been considered, where a change is likely an example IFRS compliant policy is included for consideration:

Basis of accounting and preparation:

The historical cost convention within IFRS is consistent with our treatment under GAAP. No appreciable changes are expected at this time.

Earnings per share:

No change expected.

Exploration and evaluation costs:

Some further research is required to determine appropriate capitalization policy under IFRS. Disclosure is enhanced with no expected significant changes in recognized values.

An example of an acceptable IFRS policy is:

"Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes: 1) researching and analyzing historical exploration data 2) gathering exploration data through topographical, geochemical and geophysical studies 3) exploratory drilling, trenching and sampling 4) determining and examining the volume and grade of the resource 5) surveying transportation and infrastructure requirements 6) conducting market and finance studies exploration area are charged to the income statement. License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit. Exploration and evaluation expenditure (including amortization of capitalized license costs) is charged to the income statement as incurred except in the following circumstances, in which case the expenditure may be capitalized: 7) In respect of minerals activities: the exploration and evaluation activity is within an area of interest which was previously acquired in a business combination and measured at fair value on acquisition, or where the existence of a commercially viable mineral deposit has been established.

Capitalized exploration and evaluation expenditure considered to be tangible is recorded as a component of property, plant and equipment at cost less impairment charges. Otherwise, it is recorded as an intangible asset (such as licenses and mining claims). As the asset is not available for use, it is not depreciated. All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with an appropriate share of operating assets (representing a cash generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but that require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned. To the extent that capitalized expenditure is not expected to be recovered it is charged to the income statement. Cash flows associated with exploration and evaluation expenditure (comprising both amounts expensed and amounts capitalized) are classified as investing activities in the cash flow statement."

Decommissioning costs:

The Company will need to make a determination to “capitalize within tangible fixed assets.” This will likely involve a change in the cosmetic presentation and look like a net basis presentation. Some further research is required.

An example of an acceptable IFRS policy here is:

“Provision is made for the estimated decommissioning costs at the end of the useful economic life of the Company’s generating assets, when a legal or constructive obligation arises, on a discounted basis. The amount provided represents the present value of the expected costs. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The unwinding of the discount is included in interest payable and similar charges.”

Share based payments:

The Company already uses an accelerated method for recognizing this expense, no change is anticipated.

Basis of consolidation:

Subsidiaries are measured at fair value on the date of acquisition under IFRS. This is a different treatment than currently being used where a 48% owned subsidiary was accounted for at historical cost plus owned share of income or loss. Management will evaluate the impact of this for the initial adoption of IFRS including whether a third party valuation is required for the subsidiary.

Financial Instruments:

The Company does not undertake hedging or speculation activities other than timing differences associated with making gold available for sale and selling it. As noted, the Company is evaluating its disclosure in this regard in light of new rules that are coming into effect.

An example of an acceptable IFRS policy here is:

“Financial assets and financial liabilities are recognized on the Company’s Statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company shall offset financial assets and financial liabilities if the Company has a legally enforceable right to set off the recognized amounts and interests and intends to settle on a net basis. IFRS 7 Financial Instruments: Disclosure has been adopted. The purpose of the standard is to introduce disclosure requirements on the significance of financial instruments to an entity’s financial position and performance, the risks arising from these instruments, and how the entity manages those risks. Financial assets and financial liabilities, except for certain non-current other receivables, other current investments and derivative financial instruments, are measured initially at fair value, plus directly attributable transaction costs, and thereafter at amortized cost. Certain non-current other receivables comprise available-for-sale investments which are measured at market prices where available. Where quoted market prices in an active market are not available, and where fair value cannot be reliably measured, unquoted equity instruments are measured at cost less impairment. Other current investments (classified under other financial assets) are designated as at fair value through profit and loss because they are managed and their performance is evaluated on a fair value basis in accordance with the groups risk management and investment strategy.”

Revenue Recognition

No appreciable changes on conversion to IFRS.

Income tax:

The Company currently fully allows for its tax asset.

An example of an acceptable IFRS policy here is:

"Deferred income tax is provided, using the liability method, on all temporary differences at the Statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences: -except where the deferred tax liability arises from the initial recognition of goodwill -except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss -in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred income tax assets is reviewed at each Statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of financial position date. Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement."

Property Plant and Equipment

There exists the opportunity for a revaluation of assets to fair value. The new ERP system will permit the creation of an asset register so useful lives, impairment and present value of site restoration can be evaluated for any freehold assets.

An example of acceptable IFRS policy here is:

"Land and buildings are stated at historical cost, or fair value at the date of transition to IFRS (deemed cost), less any impairment losses and depreciation calculated to write-off the assets over their estimated useful lives as follows: freehold land is not depreciated; freehold buildings are depreciated at the greater of two per cent per annum on a straight-line basis or over their remaining useful lives; and leasehold buildings are depreciated over the unexpired terms of the leases, or over their remaining useful lives. Equipment, fixtures and fittings (including equipment on operating leases where the Company is the lessor) are stated at cost less any impairment losses and depreciation calculated on a straight-line basis to write-off the assets over their useful lives, which run to a maximum of 35 years but are generally between 5 years and 20 years. Property, plant and equipment is subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable. The Company] holds certain properties as investments to earn rentals or for capital appreciation, or both. Investment properties are included in the Statement of financial position at fair value with changes therein recognized in the income statement in the period of change. Fair values are determined by independent professional appraisers who apply recognized valuation techniques."

Financial Instruments

The expectation is that IFRS will use fair value with gains and losses to the income statement as is consistent with current practice.

Inventories

No appreciable changes are expected.

This concludes our discussion on progress towards implementation of IFRS.

Other MD & A Requirements and Additional Disclosure and Risk Factors

Exploration and Mining Risks

The business of exploration for and mining minerals involves a high degree of risk. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. The Company has relied on and may continue to rely upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection.

Financing Risks

The Company has limited financial resources, has a history of losses and has no assurance that additional funding will be available to it for further exploration and development. Failure to obtain such additional financing, if required, could result in delay or indefinite postponement of further exploration and development. Any further additional equity financing undertaken by the Company will cause dilution to the shareholders of the Company.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

No Assurance of Titles or Boundaries

The Company's mineral properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Metal Prices

Factors beyond the control of the Company may affect the marketability of any gold or other minerals discovered or produced. Metal prices have fluctuated widely, particularly in recent years. The level of interest rates, the rate of inflation, world supply of mineral commodities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political systems and developments. The price of mineral commodities has fluctuated widely in recent years, and future serious price declines could cause commercial production to be uneconomic.

Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In particular, the mining industry has been suffering from a lack of sufficient, qualified experienced miners. Accordingly, competition for such personnel is intense and the Company must compete against other mining companies to retain such personnel. The lack of sufficient personnel is a limiting factor in the timeliness of the development of the Company and its business.

Environmental Regulations

The operations of the Company may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which could result in environmental degradation. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental effect assessments. Environmental legislation is evolving in a manner which introduces stricter standards, enforcement and fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in statutes and regulations has a potential to reduce the profitability of operations. To the best of the Company's knowledge, the Company is in compliance with all material environmental laws and regulations.

Conflicts of Interest

Certain directors and officers of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter in accordance with *The Corporations Act* (Manitoba).

Shortages of Supplies and Personnel

The Company may be adversely affected by shortages of critical supplies or equipment or trained personnel required to operate the business of the Company. Any shortage of critical supplies or equipment or trained personnel will affect the timeliness of the development of the Company and its business.

Market Perception

Market perception of junior exploration, development and mining companies may shift such that these companies are viewed less favourably. This factor could impact the value of investors' holdings and the Company's ability to raise further funds by issue of additional securities or debt.

No History of Earnings

The Company has no history of earnings with respect to its mineral exploration and development activities and there is no assurance that its operations will ever be profitable or provide a return on investment in the future. The Company has not paid dividends in the past and has no plans to pay dividends in the future.

Hedging

The Company does not have a hedging policy and has no intention of adopting such a policy. Accordingly, the Company has no protection from declines in mineral prices.

Share Price Fluctuations

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price that would have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuous fluctuations in price will not occur.

Exchange Rate Fluctuation

The financial results of the Company may be adversely affected by fluctuations in the rate of exchange of Canadian dollars into U.S. dollars. The Company does not currently take any steps to hedge against currency fluctuations.

Discussion on Internal Controls

As a venture issuer, San Gold's management is not required to certify or include representations about the design and maintenance of Disclosure Controls & Procedures or Internal Control over Financial Reporting and none of the following comments should be so interpreted. However, in the interest of full disclosure, management wishes to include the following comments on Internal Control over Financial Reporting and Disclosure Controls & Procedures in this management discussion and analysis.

In interpreting the following two sections on Disclosure Controls and Procedures and Internal Control over Financial Reporting, readers are cautioned that a control system can only provide reasonable, not absolute, assurance that the objectives of the control system are achieved. Due to the inherent limitations in all control systems, an evaluation of controls cannot provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. Inherent limitations include the possibility that the assumptions and judgments of management could ultimately prove to be incorrect under varying conditions and circumstances; or that isolated errors could prove to have a significant impact on the reliability of information.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and it is not possible to provide complete assurance that a control system will succeed in achieving its stated goals under all potential conditions.

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures (as required by National Instrument 52-109 issued by the Canadian Securities Administrators). These responsibilities include : (i) designing the Company's disclosure controls and procedures, or causing them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them during the time period where quarterly and annual filings are being prepared; and (ii) evaluating the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by the annual filings and causing the Company to disclose in this MD & A their conclusions about the effectiveness of the disclosure controls and procedures based on such evaluation. In connection therewith, the Board of Directors has created a disclosure committee that has within its mandate to oversee the Company's disclosure practices.

San Gold's management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30th, 2010. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of June 30th, 2010 in providing reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them.

Internal Control over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer are also responsible for establishing and maintaining internal control over financial reporting (as required by National Instrument 52-109). These responsibilities include: (i) designing the Company's internal control over financial reporting, or causing it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP; and (ii) causing the Company to disclose in this MD & A any change in the company's internal control over financial reporting that occurred during the Company's most recent period that has materially affected, or is reasonably likely to materially affect, the

Company's internal control over financial reporting. Internal control over financial reporting should include policies and procedures that establish, among others, the following items:

- Maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of the Company's assets;
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable GAAP;
- Receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and
- Reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Due to inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Chief Executive Officer and the Chief Financial Officer, carried out an assessment of the design of the Company's internal controls over financial reporting and concluded that the following weaknesses existed as at June 30th, 2010. These items have been reported to the Audit Committee and the Board of Directors, and the remedial actions described below have been mandated by the Board. San Gold chooses to disclose these items as continuing efforts are made towards improving disclosure and enhancing internal controls. Management notes that good progress has been made in addressing these perceived deficiencies and this is described under the following headings.

Policies and Procedures

The Company did not maintain a complete set of policies and procedures governing decision and authorization processes. As such, reliance was placed on management's substantive review of period end balances, transactions recorded in each period, scrutiny of business activity and centralized cash management to detect errors and ensure the financial statements do not contain material misstatements. The Company has initiated a plan, using a generally recognized framework, to document key processes and controls, and initiated the creation of a set of policies and procedures. During 2008, the Company centralized tracking and distribution of Purchase authorizations and completed implementation of a real time inventory management system. The completion of these two initiatives serves to enhance the financial reporting control of the organization. The Company has completed its evaluation and is aggressively implementing an ERP (Enterprise Resource Planning) software system to further facilitate control in this regard. The system went live in the fourth quarter of 2009 and management is in the process of evaluating its impact upon internal control.

Information Systems

The Company determined that its information systems and supporting processes require improvements to adequately protect the Company and to provide management information in a timely manner especially given the rapid growth of the Company. It was determined that the use of multiple systems is inefficient and created inconsistencies in systems, policies, and procedures. San Gold Corporation successfully migrated onto a common reporting platform with its formerly wholly owned subsidiary, Rice Lake Gold Corporation on January 1st, 2009. This will improve the timeliness and ability to have a comprehensive reporting and tracking system and will enhance consistency in systems, policies and procedures.

Segregation of Duties

The Company has added key administrative personnel who will help to ensure that financial statements are presented fairly and accurately and in a timely manner. The Company has therefore become somewhat less reliant on compensating controls to ensure the reliability of financial statements. Compensating controls are still undertaken and include:

- Review of all balances and reconciliations;
- Analytical review and review of performance against expectations.

Outstanding Share Data

As of August 16th, 2010, the date of this report, the Company had 299,411,480 common shares outstanding and an unlimited number of authorized common shares.

Additional Information

Additional information relating to the Company is available on the internet at the SEDAR website located at www.sedar.com and at the Company's website at www.sangoldcorp.com



Interim Consolidated Financial Statements

June 30th, 2010
(Unaudited)

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SAN GOLD CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
(UNAUDITED)

	Three month period ended		Six month period ended	
	June 2010	June 2009	June 2010	June 2009
REVENUE	\$ 12,606,691	\$ 3,537,833	\$ 26,594,951	\$ 7,243,910
OPERATIONS				
Operations	11,043,545	9,369,781	25,012,734	16,052,870
Asset retirement accretion	41,780	37,909	83,560	75,818
Amorization of property, plant and equipment	579,959	458,191	1,118,433	907,200
Depletion of mineral properties	2,899,029	588,507	4,646,243	1,103,841
LOSS FROM OPERATIONS	1,957,622	6,916,555	4,266,019	10,895,819
Exploration	2,161,521	725,338	4,824,304	2,729,348
General and administrative	1,900,677	1,868,174	3,357,665	3,525,044
Accretion of convertible debentures	-	39,807	-	79,613
Amortization of financing fees	-	50,029	-	100,058
Royalty expense	1,967,708	1,967,708	3,935,416	3,935,416
Interest expense	41,520	299,189	67,781	590,105
Share-based compensation	1,746,104	922,983	3,536,826	2,093,733
LOSS BEFORE OTHER REVENUE	9,775,152	12,789,783	19,988,011	23,949,136
OTHER REVENUE AND EXPENSES				
Indemnification fee	63,788	63,788	127,576	127,576
Interest income	2,180,589	1,928,430	4,159,775	4,552,063
Equity loss of SGX Resources Inc. (Note 7)	(374,497)	-	(503,164)	-
LOSS BEFORE INCOME TAX	7,905,272	10,797,565	16,203,824	19,269,497
Future income tax recovery	-	-	7,959,465	-
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	7,905,272	10,797,565	8,244,359	19,269,497
DEFICIT, BEGINNING OF THE PERIOD	162,093,211	129,483,327	152,254,876	121,011,395
Share issue costs	-	1,236,701	1,539,783	1,236,701
Expired Warrants	-	(75,210)	-	(75,210)
Future income tax on flow-through shares	-	-	7,959,465	-
DEFICIT, END OF THE PERIOD	\$ 169,998,483	\$ 141,442,383	\$ 169,998,483	\$ 141,442,383
LOSS PER COMMON SHARE: Basic & diluted (Note 17)	\$ 0.03	\$ 0.04	\$ 0.03	\$ 0.08

SAN GOLD CORPORATION
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	THREE MONTH PERIOD ENDED		SIX MONTH PERIOD ENDED	
	JUNE 30	JUNE 30	JUNE 30	JUNE 30
	2010	2009	2010	2009
OPERATING ACTIVITIES				
Loss for the period	\$ (7,905,272)	\$ (10,797,565)	\$ (8,244,359)	\$ (19,269,497)
Add: Items not affecting cash				
Accretion - convertible debentures	-	39,807	-	79,613
Accretion - asset retirement obligation	41,781	37,909	83,561	75,818
Amortization - financing costs	-	50,029	-	100,058
Amortization - property, plant and equipment	579,960	458,191	1,118,434	907,200
Depletion - mineral properties	2,899,029	588,507	4,646,243	1,103,841
Fair market value adjustment to marketable securities	(27,361)	344,399	(41,624)	(238,225)
Deferred revenue realized	(63,788)	(63,788)	(127,576)	(127,576)
Equity loss from SGX Resources Inc.	374,497	-	503,164	-
Share-based compensation	1,746,104	922,983	3,536,826	2,093,733
Future income tax recovery	-	-	(7,959,465)	-
Net change in non-cash working capital	7,805,588	(3,732,717)	4,831,135	(4,479,714)
	5,450,538	(12,152,245)	(1,653,661)	(19,754,749)
INVESTING ACTIVITIES				
Purchase of property, plant, and equipment	(2,739,388)	(1,556,422)	(3,551,787)	(1,855,664)
Gold recovered during commissioning	-	5,885,434	-	5,885,434
Investment in mineral properties	(9,930,848)	(6,009,050)	(17,918,253)	(11,323,442)
Change in marketable securities	(16,269,236)	(8,708,173)	(5,081,130)	(7,879,382)
Purchase of mining claims and options	-	(55,000)	(1,070,000)	(55,000)
	(28,939,472)	(10,443,211)	(27,621,170)	(15,228,054)
FINANCING ACTIVITIES				
Proceeds from shares issued and subscribed	2,087,425	37,617,442	29,593,516	38,429,359
Proceeds from long-term debt	691,861	79,580	1,207,018	79,580
Proceeds from convertible debentures	-	-	-	1,116,000
Share issue costs	-	(1,236,701)	(1,539,783)	(1,236,701)
Convertible debt issue costs	-	-	-	(80,159)
Repayment of long-term debt	(183,393)	(240,827)	(469,607)	(402,221)
	2,595,893	36,219,494	28,791,144	37,905,858
CHANGE IN CASH	(20,893,041)	13,624,038	(483,687)	2,923,055
CASH (BANK INDEBTEDNESS), BEGINNING OF THE PERIOD	20,052,436	(256,393)	(356,918)	10,444,590
CASH (BANK INDEBTEDNESS), END OF THE PERIOD	\$ (840,605)	\$ 13,367,645	\$ (840,605)	\$ 13,367,645
Supplementary Information				
Interest paid	\$ 41,520	\$ 81,288	\$ 67,781	\$ 123,604

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1. Nature of operations and going concern assumption

The Company's main operation consists of exploring for and the mining and milling of gold primarily in the Bissett area of Manitoba, Canada and Timmins area of Ontario, Canada. Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration expenditures. The recoverability of deferred expenditures is dependent upon a number of factors, including the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to complete exploration; development and construction of processing facilities; obtaining certain government approvals; and attaining profitable production. Active ore production is dependent upon the market price of gold ore, management of production and capital costs, and adequate capital resources to fund operational activities.

For the six month period ended June 30th, 2010, the Company had a loss of \$8,244,359 (June 30th, 2009 – \$19,269,497). In addition to ongoing working capital requirements, the Company may be required to secure sufficient funding for exploration and development programs, general and administration costs and interest charges. Although management may have been successful in the past in undertaking financings, there can be no assurance that management will be able to do so in the future on terms acceptable to the Company.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of operations for the foreseeable future. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and balance sheet classifications that may be necessary were the going concern assumption inappropriate. These adjustments could be material.

These consolidated financial statements include the financial assets and liabilities and results of operations of the Company and of its wholly owned subsidiary corporations 6493068 Canada Ltd, 6573258 Canada Ltd, and 6772684 Canada Ltd. San Gold Corporation and Rice Lake Gold Corporation were amalgamated on January 1st, 2009.

2. Significant accounting policies

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. The accounting principles used in these interim consolidated financial statements are consistent with those used in the Company's December 31st, 2009 annual consolidated financial statements. These interim consolidated financial statements do not include all of the information and disclosure required by Canadian generally accepted accounting principles for annual financial statements, and should be read in conjunction with the December 31st, 2009 annual consolidated financial statements.

Future changes to significant accounting policies

The CICA Accounting Standards Board has adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies will be required to converge with International Financial Reporting Standards for fiscal years beginning on or after January 1st, 2011 with comparative figures presented on the same basis.

The Company is currently in the process of evaluating the potential impact of IFRS to its consolidated financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. The Company's consolidated financial performance and financial position as disclosed in the Company's current GAAP financial statements may be significantly different when presented in accordance with IFRS.

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2. Significant accounting policies (continued)

CICA Handbook Section 1582 – Business Combinations will apply 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 1st, 2011. CICA Handbook Sections 1601 – Consolidations and 1602 – Non-controlling interests will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1st, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. These sections replace the former CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. CICA Handbook Section 1582 establishes standards for the accounting for a business combination. CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Company is currently considering the effect on the financial statements of the new standards.

3. Marketable securities

	June 30, 2010	December 31, 2009
GIC, interest at 4.12% (2009 - 4.12%) paid annually, maturing July 2012 (2009 - July 2012), pledged as security for long-term debt.	\$ 79,161	\$ 77,888
Short term investments - see detailed description below	18,337,849	2,780,673
Silver certificates, 0.663 oz (2009 - 5,981.487 oz) with a market value at June 30, 2010 being \$18.78 per oz (2009 - \$17.64).	12	105,513
Gold certificates, 0.473 oz (2009 - 9,012.79 oz) with a market value at June 30, 2010 being \$1,316.03 per oz (2009 - \$1,146.24)	622	10,330,816
	\$ 18,417,644	\$ 13,294,890

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3. Marketable securities (continued)

AS AT JUNE 30, 2010	Weighted Yield to Maturity	Range of Maturities	Maturity Value	Market Value
Treasury Bills	0.90%	Feb 2011 to Jun 2011	\$ 2,400,000	\$ 2,382,610
Bankers Acceptance	1.39%	Mar 2011	500,000	494,999
Commercial Paper	0.84%	Oct 2010 to Jan 2011	856,000	822,289
Money Market Funds	n/a	n/a	2,989,202	3,002,956
Guaranteed Investment Certificate	0.91%	Aug 2010 to Nov 2011	907,995	923,514
Coupons and Residuals	0.97%	Oct 2010 to Sep 2011	4,939,000	4,906,419
Government Bonds	1.06%	Jun 2011 to Sep 2011	1,500,000	1,500,442
Term Deposit	1.47%	Jul 2010 to Jun 2011	3,291,562	3,290,954
Corporate Bonds	1.54%	Nov 2010 to Apr 2011	992,850	1,013,666
TOTAL SHORT TERM INVESTMENTS	1.13%	Jul 2010 to Nov 2011	\$ 18,376,609	\$ 18,337,849

AS AT DECEMBER 31, 2009	Weighted Yield to Maturity	Range of Maturities	Maturity Value	Market Value
Guaranteed Investment Certificate	4.14%	May 2010 to Aug 2010	\$ 552,995	\$ 603,179
Coupons and Residuals	0.50%	Jan 2010 to Feb 2010	1,200,000	1,199,534
Term Deposit	2.61%	Feb 2010 to Dec 2010	962,600	977,960
TOTAL SHORT TERM INVESTMENTS	2.61%	Jan 2010 to Dec 2010	\$ 2,715,595	\$ 2,780,673

At June 30th, 2010, \$56,264 (December 31st, 2009 - \$17,951) of accrued interest was included in the market value of the short term investments. For the three month period ended June 30th, 2010, the Company recognized a gain of \$27,361 (June 30th, 2009 – expense of \$344,399) and for the six month period ended June 30th, 2010, a gain of \$41,624 (June 30th, 2009 – gain of \$238,225) to adjust carrying value to published market value. These amounts are recognized as interest revenue on the interim consolidated statement of operations. Market value is determined by published price quotation including accrued interest.

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4. Property, plant and equipment

	June 30, 2010			December 31, 2009		
	Cost	Accumulated amortization	Net Book Value	Cost	Accumulated amortization	Net Book Value
Land	\$ 502,210	\$ -	\$ 502,210	\$ 502,210	\$ -	\$ 502,210
Buildings	5,432,909	390,062	5,042,847	4,788,344	293,696	4,494,648
Motor vehicles	97,984	56,520	41,464	97,984	49,718	48,266
Furniture & office equipment	1,198,131	368,454	829,678	1,143,359	281,357	862,002
Plant and equipment	13,419,711	5,958,746	7,460,965	11,950,906	5,202,174	6,748,732
Assets under capital lease	2,397,350	752,547	1,644,803	1,745,728	580,951	1,164,777
Projects in process	2,165,370	-	2,165,370	781,727	-	781,727
	\$ 25,213,666	\$ (7,526,329)	\$ 17,687,337	\$ 21,010,258	\$ 6,407,896	\$ 14,602,362

5. Mineral properties

	June 30, 2010			
	Cost	Commissioning gold recovery	Accumulated depletion	Net Book Value
SG1	\$ 6,185,598	\$ -	\$ 661,555	\$ 5,524,043
Rice Lake	49,024,743	-	8,426,705	40,598,038
Hinge 007	39,285,514	5,885,434	3,711,017	29,689,063
	361,305	-	-	361,305
	\$ 94,857,160	\$ -	\$ 12,799,277	\$ 76,172,449

	December 31, 2009			
	Cost	Commissioning gold recovery	Accumulated depletion	Net Book Value
SG1	\$ 6,185,598	\$ -	\$ 661,555	\$ 5,524,043
Rice Lake	40,182,831	-	6,146,933	34,035,898
Hinge	30,570,477	5,885,434	1,344,545	23,340,498
	\$ 76,938,906	\$ 5,885,434	\$ 8,153,033	\$ 62,900,439

Mineral property development costs incurred to expand ore reserves are deferred and depleted on a units-of-production basis over proven and probable reserves. Revenue derived from mineral properties before full production during commissioning of a property is accounted for as a reduction of the cost of the property. For the three and six month period ended June 30th, 2010, revenue of nil (December 31, 2009 - \$5,885,434) from nil ounces of gold (December 31, 2009 - 5,502 ounces of gold) was recorded as a reduction of the Hinge mineral property.

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6. Mining claims and options

Partner	Location	Agreement entered	June 30 th , 2010 Carrying Value	Commitment for option
Peter Dunlop	Beresford Lake 7 claims	Apr 2004	\$451,449 (Dec 31 st , 2009 - \$431,449)	Commitments met as at June 30 th , 2010 3% Net smelter return to optioner, may be bought down by optioner
Greenbelt Gold Mines Inc.	3 km South of Rice Lake 27 claims (50% interest)	Jan 2005	\$421,200 (Dec 31 st , 2009 - \$421,200)	Commitments met as at June 30 th , 2010
Strikepoint Gold Inc. <i>NOTE: Strikepoint is a related party that shares 2 directors with the Company</i>	Rice Lake Environ, Manitoba 26 claims	Sep 2009	\$150,000 (Dec 31 st , 2009 - \$150,000)	\$50,000 by September 17 th , 2010 Additionally, an exploration commitment of \$1,500,000 over a three year period to earn a 50% undivided interest in the Strike Point property
Laurion Mineral Exploration Properties	Timmins Ontario 31.5% interest in Davidson-Tisdale property and 100% ownership in North Tisdale property	Jan 2010	\$4,450,000 (Dec 31 st , 2009 - \$nil)	North Tisdale property subject to a 2% net smelter royalty
Golden Horse Claims	Rice Lake Environ, Manitoba 4 claims, 400 Hectares	Feb 2010	\$270,800 (Dec 31 st , 2009 - \$nil)	Subject to a 3% net smelter royalty, may be bought down by optioner
Total			\$5,743,449 (Dec 31 st , 2009 - \$1,002,649)	

7. Investment in SGX Resources Inc.

	June 30, 2010	December 31, 2009
Investment in SGX Resources Inc, beginning of period	\$ 503,165	\$ -
Subscription for share capital	-	60
Sale of mining claims and options at carrying value	-	738,580
Proportionate share of profit (loss)	(503,164)	(18,033)
Share issue costs	-	(217,442)
Investment in SGX Resources Inc., end of the period	\$ 1	\$ 503,165

SGX Resources Inc. began trading on the TSX Venture exchange on April 20th, 2010 under the symbol SXR. The Company has not guaranteed obligations of SGX Resources Inc. and is not otherwise committed to provide further financial support. Should SGX Resources Inc. return to profitability, the Company will record its proportionate share of income to the extent the income exceeds unrecognized cumulative losses and capital transactions. Unrecognized cumulative losses and capital transactions to June 30, 2010 were approximately \$938,000 (December 31st, 2009 - \$nil).

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8. Long-term debt

	June 30,	2010	December 31,
			2009
Term loan, repayable by \$8,238 blended monthly payments at 5.75% interest rate, secured by the collateral deposit of \$450,000, due May 2010.	\$	-	\$ 27,993
Term loan, repayable by \$3,334 blended monthly payments at 5.75% interest rate, secured by specific equipment, due August 2010		3,354	23,228
Term loan, repayable by \$7,659 blended monthly payments at 7.57% interest rate, secured by specific equipment, due August 2011.		102,420	143,601
Term loan, repayable by \$8,304 blended monthly payments at 12.3% interest rate, secured by specific equipment, due April 2011.		78,646	122,211
Term loan, repayable by \$10,044 blended monthly payments at 8.73% interest rate, secured by specific equipment, due January 2012.		177,859	-
Term loan, repayable by \$13,407 blended monthly payments at 8.86% interest rate, secured by specific equipment, due January 2012.		237,166	-
Term loan, repayable by \$32,320 blended monthly payments at 7.38% interest rate, secured by specific equipment, due May 2012.		691,924	-
Capital lease, repayable by \$20,960 blended monthly payments at 15% interest rate, secured by specific equipment, due January 2010		-	20,890
Capital lease, repayable by \$7,890 blended monthly payments at 10% interest rate, secured by specific equipment, due January 2010.		-	7,129
Capital lease, repayable by \$13,246 blended monthly payments at 6.85% interest rate, secured by specific equipment due June 2012.		286,062	355,144
Capital lease, repayable by \$12,349 blended monthly payments at 6.25% interest rate, secured by specific equipment, due February 2014.		511,798	-
Total long-term debt		2,089,229	700,196
Total current portion		1,050,904	393,377
Total long-term portion	\$	1,038,325	\$ 306,819

Principal due on long-term debt by year end and in aggregate over the next four years is approximately as follows:

June 30, 2011	\$ 1,050,904
June 30, 2012	789,962
June 30, 2013	132,965
June 30, 2014	115,398
	<u> </u>
	\$ 2,089,229

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9. Asset retirement obligation

The mine operates under Environmental License No. 2161 S1 RR issued by Manitoba Conservation in March 1996 and amended in September 1998. The mine also has a closure and rehabilitation plan that has been accepted by Manitoba Industry, Trade, and Mines. A closure plan for the Bissett Gold Mine was submitted on September 1st, 2001. The plan covers all aspects of rehabilitation of the mine including post closure monitoring.

The Company's asset retirement obligations consist primarily of costs associated with mine reclamation and closure activities. These activities, which tend to be site specific, generally include costs for earthworks, including detoxification and re-contouring, re-vegetation, water treatment and demolition. In determining the estimated costs, the Company considers such factors as changes in laws and regulations and requirements under existing permits. Such analyses are performed on an ongoing basis. In calculating the fair value of the Company's asset retirement obligation, management used a credit adjusted risk-free rate applicable to the Company.

The total estimated cost for the closure and post closure monitoring is \$3,300,000. At March 17th, 2004, the Company present valued this liability at \$932,000 and is accreting it over a 13 year period at the Company's credit adjusted risk-free rate of prime rate plus 6%. For the six month period ended June 30th, 2010 the Company recorded accretion expense of \$83,560 (June 30th, 2009 – \$75,818), resulting in a carrying value of \$1,719,920 for the obligation (December 31st, 2009 - \$1,636,359).

10. Share capital

Authorized: Unlimited number of common shares

Issued: 278,236,714 common shares (December 31st, 2009 – 267,048,730)

The Company's board of directors and shareholders have approved a stock option plan, the purpose of which is to provide employees, consultants, and directors of the Company with the opportunity to participate in the growth and development of the Company.

	(#)	(\$)
Balance, December 31, 2008	236,186,220	183,158,793
Options exercised	3,980,174	4,911,554
Warrants exercised	19,591,475	40,316,476
Debentures converted	7,067,070	10,026,611
Debenture interest converted	133,791	397,354
Non monetary issues	90,000	178,600
Balance, December 31, 2009	267,048,730	238,989,388
Private placements	6,551,000	26,531,550
Options exercised	1,226,359	1,698,554
Non monetary issues	1,060,000	3,670,800
Balance, March 31, 2010	275,886,089	270,890,292
Options exercised	2,265,625	3,519,500
Private placements	85,000	361,750
Balance, June 30, 2010	278,236,714	274,771,542

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11. Options and warrants

During the six month period ended June 30th, 2010, the fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. During the quarter ended June 30th, 2010, the fair value of each option grant is estimated on the date of the grant using Black-Scholes option-pricing model with the following weighted average assumptions used for the grants; dividend yield of 0% (December 31st, 2009 – 0%), expected volatility of 68-69% (December 31st, 2009 – 70-80%), risk free interest rate of 2.59% to 2.80% (December 31st, 2009 – 2.26% to 2.56%) and expected life of 1,825 days (December 31st, 2009 – 365 to 1,825 days).

A summary of the status of the Company's share option plan as at June 30th, 2010 and December 31st, 2009 and changes during the periods then ended are as follows:

	December 31, 2009	Average Price (\$)
Options, December 31, 2008	13,260,437	0.94
Options granted	4,700,000	1.38
Options exercised	(3,980,174)	0.71
Options expired	(479,004)	1.05
	13,501,259	1.16
Options, December 31, 2009		
Options granted	4,450,000	3.45
Options exercised	(1,226,359)	0.79
	16,724,900	1.80
Options, March 31, 2010		
Options granted	100,000	3.78
Options exercised	(2,265,625)	0.92
	14,559,275	1.95
Options, June 30, 2010		
Options vested, June 30, 2010	6,025,615	1.16
	June 30, 2010	December 31, 2009
Weighted average remaining life (years)	3.16	2.76

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11. Options and warrants (cont'd)

A summary of the status of the Company's outstanding warrants as of June 30th, 2010 and December 31st, 2009 and changes during the periods then ended are as follows:

	June 30, 2010	Average Price (\$)	December 31, 2009	Average Price (\$)
Warrants, beginning of the period	-	-	20,033,036	1.89
Warrants exercised	-	-	(19,591,475)	1.89
Warrants expired	-	-	(441,561)	2.00
Warrants, end of the period	-	-	-	-

12. Contributed surplus

Changes in contributed surplus consisted of the following:

Contributed surplus, December 31, 2008	\$ 11,075,514
Conversion / redemption of debentures	(477,676)
Debentures issued	53,610
Warrants exercised	(3,336,553)
Warrants expired	(75,210)
Options issued	4,060,065
Options exercised	(2,106,836)
Options expired	(71,734)
Unvested options cancelled	(107,846)
Contributed surplus, December 31, 2009	\$ 9,013,334
Options issued	1,790,722
Options exercised	(724,013)
Contributed surplus, March 31, 2010	\$ 10,080,043
Options issued	1,746,104
Options exercised	(1,432,075)
Contributed surplus, June 30, 2010	\$ 10,394,072

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13. Convertible debentures

In December of 2008, \$8,828,000 worth of three year senior secured convertible redeemable debentures were issued. In the first quarter of 2009, an additional \$1,116,000 worth of 3 year senior secured convertible redeemable debentures were issued. The debentures have a term of three years and bear interest at a rate of 10% per annum. Holders of debentures could elect to receive interest payments in common shares of the Company (in lieu of cash) at a price per share to be determined at such time as the shares are issued in accordance with TSX Venture Exchange policies. The debentures could be converted at the option of the debenture holders into common shares of the Company at a price of \$1.40 per share at any time after the first anniversary of the date of issuance. The debentures could be redeemed by the Company at any time at the option of the Company subject to the right of the debenture holders to convert their debentures into common shares upon such notice of redemption. As part of the indenture, the Company agreed to pay interest when due, to carry on business, to maintain insurance, not to pay distribution to shareholders, and to generally preserve the rights of the corporation until the maturity of the debenture. In the fourth quarter of 2009, the Company redeemed the remaining \$9,944,000 principal of the December 2008 Debenture. Of this amount, \$9,894,000 was converted into common shares of the Company, and the remaining \$50,000 was redeemed for cash. The issue has been fully retired.

14. Income taxes

The provision for income taxes reflects an effective tax rate, which differs from the combined Canadian federal and provincial corporate tax rates for the following reasons:

	Three Month Period Ended		Six Month Period Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Loss for the period before income taxes	\$ (7,905,272)	\$ (10,797,565)	\$ (8,244,359)	\$ (19,269,497)
Combined statutory tax rate	30.00%	31.50%	30.00%	31.50%
Income tax recovery based on statutory rate	(2,371,582)	(3,401,233)	(2,473,308)	(6,069,892)
Future income tax recovery on flow-through shares	-	-	7,959,465	-
Change in valuation allowance	2,371,582	3,401,233	(5,486,157)	6,069,892
	\$ -	\$ -	\$ -	\$ -

The Company has issued flow-through shares to finance certain of its exploration activities. The Company intends to renounce expenditures totalling the amount of the purchase price of the flow-through shares issued to the purchasing shareholders and as a result, tax deductibility of these costs will not be available to the Company. At the end of June 30th, 2010, the Company had an obligation to spend \$24,520,029 of flow through capital renounced to shareholders (December 31st, 2009 - \$nil).

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15. Related party transactions

Wynne Mining Ltd., Wynne Drilling Ltd., Wynne's Place Ltd. and Hotel San Antonio

	Three Month Period Ended		Six Month Period Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Accounts receivable (payable), beginning of the period	\$ (21,967)	\$ 5,324	\$ (29,967)	\$ -
Expenses at exchange amount	(1,964,243)	(1,615,908)	(4,427,633)	(3,605,459)
GST on services	(74,314)	(71,333)	(185,502)	(163,595)
Payments issued	2,063,327	1,690,535	4,645,905	3,777,672
Accounts receivable, end of the period	\$ 2,803	\$ 8,618	\$ 2,803	\$ 8,618
Prepaid expenses	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000

During the quarter, the Company purchased goods and services for the sum of \$1,964,243 (June 30th, 2009 - \$1,615,908) and for the six month period ended June 30th, 2010, the Company purchased goods and services for the sum of \$4,427,633 (June 30th, 2009 - \$3,605,459 from Wynne Mining Ltd., Wynne's Place Ltd., Hotel San Antonio, and Wynne Drilling Ltd., (corporations controlled by Hugh Wynne who is a director and Chairman of the Company). These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. These services were expensed or capitalized in the year, forming part of direct exploration expenses, general & administrative expenses, or operational expenses on the Company's consolidated statements of operations and deficit. The amounts due from corporations controlled by Hugh Wynne on June 30th, 2010 of \$2,803 (June 30th, 2009 amounts due from - \$8,618) are included in the accounts payable on the Company's consolidated balance sheet. The \$200,000 prepaid expense balance arises contractually as a retainer for ongoing services from Wynne Drilling Ltd.

The Company undertakes transactions in the normal course of business with other related parties. These transactions are recognized at the exchange amount. General and administrative expenses for the quarter ended June 30th, 2010 include \$31,000 (June 30th, 2009 - \$27,000) and the six month period ended June 30th, 2010 include \$55,000 (June 30th, 2009 - \$60,000) for fees paid to companies controlled by directors for various consulting and managerial work.

Accounts receivable includes \$361,750 (December 31st, 2010 - \$nil) due from SGX Resources Inc. The amount is the value of common shares of the Company issued to SGX Resources Inc. during the three months ended June 30th, 2010.

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16. Restricted promissory notes and royalty obligation

	June 30,	2010	December 31,
			2009
Restricted promissory note due February 15, 2015, interest at 6%, pledged to secure royalty obligation	\$	11,205,384	\$ 10,909,491
Restricted promissory note due February 15, 2016, interest at 7%, pledged to secure royalty obligation		55,720,770	53,992,358
Restricted promissory note due February 15, 2017, interest at 7%, pledged to secure royalty obligation		60,696,349	58,221,826
		\$ 127,622,503	\$ 123,123,675
Restricted accrued interest	\$	3,935,414	\$ 7,439,926

	June 30,	2010	December 31,
			2009
2005 Indemnification fee received	\$	536,852	\$ 536,852
Less: amortization of 2005 indemnification fee		(260,605)	(229,911)
2006 Indemnification fee received		172,438	172,438
Less: amortization of 2006 indemnification fee		(78,769)	(70,253)
2007 Indemnification fee received		1,596,412	1,596,412
Less: amortization of 2007 indemnification fee		(447,643)	(359,277)
Deferred indemnification fees		1,518,685	1,646,261
Current portion of deferred indemnification fees		255,152	255,152
Deferred revenue	\$	1,263,533	\$ 1,391,109

Annual royalties on the 2007 royalty sale will be payable at rates ranging from \$72.05 to \$169.89 per ounce of gold produced during the period of the agreement to the later of December 31st, 2017 and five years after the end of commercial production from the mine. Annual royalties on the 2006 royalty sale will be payable at rates ranging from \$29.26 to \$268.71 per ounce of gold produced during the period of the agreement to the later of December 31st, 2016 and five years after the end of commercial production from the mine. Annual royalties on the 2005 royalty sale will be payable at rates ranging from \$5.00 to \$49.51 per ounce of gold produced during the period of the agreement to the later of December 31st, 2015 and five years after the end of commercial production from the mine. During the term of the agreements, the Company is entitled to have amounts held under the restricted promissory notes used to make payments under the royalty obligations.

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16. Restricted promissory notes and royalty obligation (continued)

Under certain circumstances, 100% subsidiaries of Rice Lake Gold Corporation will have the right to purchase ("Call") the equity of the holder of the royalties or right to receive the royalties at an amount no greater than the fair market value thereof at the time of the Call. The Call price will be paid from the balance owing to Rice Lake Gold Corporation under the promissory note. Under certain circumstances, the purchaser of the royalties will have the right to sell ("Put") their interest in the royalty to the Company at an amount no greater than the fair market value thereof at the time of the Put. However, such right is subject to the subsidiaries of Rice Lake Gold Corporation's preemptive right to exercise the Call in advance of any Put being exercised and completed.

In addition to the royalty, Rice Lake Gold Corporation has granted a net profit interest ("NPI") for the years 2011 to 2017 inclusive. Under the commitment, minimum gold price thresholds of \$875, \$1,075, and \$1,275 per ounce trigger NPI levels of 6%, 6.75% and 7% respectively. Under the 2005 and 2006 commitments, minimum gold prices of \$875, \$1,075, and \$1,275 per ounce trigger NPI levels of 1%, 2%, and 3% respectively. No NPI is payable until Rice Lake Gold Corporation recovers its capital invested including reserve and interest charges.

17. Loss per share

The Company determines basic loss per common share on the weighted average number of outstanding common shares for the period.

Net loss available to common shareholders for the quarter ended June 30th, 2010 is \$7,905,272 (June 30th, 2009 - \$10,797,565) and for the six month period ended June 30th, 2010 is \$8,244,359 (June 30th, 2009 - \$19,269,497).

	Three Month Period Ended		Six Month Period Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Weighted basic and diluted shares outstanding	277,374,958	245,083,577	272,983,117	240,954,394

The following securities were not included in the diluted net income per share calculation as the effect would have been anti-dilutive:

	Exercise / conversion price	Number of shares if converted or exercised at June 30, 2010
Share options	\$ 1.95	14,559,275

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18. Risk management and fair values

The Company's risk management policies are typically manifested as part of the day to day management of operations. As management becomes aware of risks, the functioning of control procedures is evaluated both directly and through consultation with employees, consultants and third parties with a judgment on the cost and benefit of different courses of action as well as the impact on risk and fair value. The Company has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Company, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them are as follows:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial commitments as they become due. The Company's main sources of liquidity are its operations and external borrowings and issuance of capital. The Company maintains that there is sufficient working capital and available credit facilities to meet its ongoing current obligations.

The following are the estimated maturities of the Company's financial liabilities from continuing operations:

	Total	1 year	2 years	3 years	4 years
Accounts payable and accrued liabilities	6,543,954	6,543,954	-	-	-
Long-term debt	2,089,229	1,050,904	789,962	132,965	115,398
	\$ 8,633,183	\$ 7,594,858	\$ 789,962	\$ 132,965	\$ 115,398

The Company's royalty obligation will be funded by the restricted promissory note.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. In general, the risk of investing cash equivalents into fixed interest rate investments is mitigated by the short terms in which the investments mature.

Credit risk

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Company also may review credit history before establishing credit and reviews credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

The Company invests only in high credit quality debtors including the Government of Canada and Provinces of Canada.

The Company does not recognize any allowance for doubtful accounts and has no past due receivables.

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18. Risk management and fair values (continued)

Currency risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. The Company may enter into forward exchange contracts to manage part of the foreign exchange risk exposures relating to customer accounts receivable balances and trade accounts payable denominated in U.S. currency.

Other price risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. Gold prices are affected by numerous factors such as the sale or purchase by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and other foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world.

Fair values

The fair values of the Company's current financial assets and liabilities (cash, accounts receivable, and accounts payable), approximate their recorded values as at year-end due to their short-term nature. The fair value of the marketable securities is based on a published source and management has estimated that the fair value of the collateral deposit approximates its book value.

The fair value of the Company's long-term debt (excluding capital leases) as at June 30th, 2010 is \$1,291,369 (December 31st, 2009 - \$317,033). The fair value of long-term debt has been estimated based on the current market rates for mortgages with similar terms and conditions. The fair value of the Company's long-term debt subject to variable interest rates approximates its recorded value.

The cash flows associated with the restricted promissory notes and royalty obligations are equal. The net fair value of the restricted promissory notes and royalty obligation as at June 30th, 2010 is \$nil (December 31, 2009 - \$nil).

The fair value hierarchy of financial instruments measured at fair value on the Consolidated Balance Sheet is as follows:

	June 30, 2010	December 31, 2009
	Level 1	Level 1
Financial assets		
Bank indebtedness	\$ 840,605	\$ 356,918
Marketable securities	18,417,644	13,294,890
Collateral deposit	3,356	51,221

Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at year-end may not represent fair values at any other date. The determination of fair value is also affected by the use of judgment and by uncertainty.

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19. Commitments and contingencies

The Bissett mine operates under a Mining Lease (ML 063) granted by the Manitoba Industry, Trade and Mines for a period of 21 years commencing April 1st, 1992. The license fee of \$20,957 is payable annually to the Province of Manitoba.

In addition, the Company is potentially subject to regular audits from federal and provincial tax authorities relating to income, capital, and commodity taxes and as a result of these audits may receive assessments or reassessments. The Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a material adverse impact on the Company's financial position, results of operations, or the ability to carry on any of its business activities.

To satisfy the closure plan described in Note 9, the Company has agreed to provide a cheque, bond, or letter of credit in the amount of \$40,000 as well as a pledge of the current estimated salvage value of mine assets to cover the calculated value of mine closure and post closure monitoring costs.

The Company has entered into a lease agreement for the use of office space. The lease expires on July 31st, 2013. Minimum lease payments over the next four years of the lease are as follows:

June 30, 2011	\$	24,469
June 30, 2012		24,469
June 30, 2013		24,469
June 30, 2014		2,039

20. Capital management

The Company's total capital of \$117,256,360 (December 31st, 2009 - \$96,448,042) consists of \$274,771,542 (December 31st, 2009 - \$238,989,388) of share capital, \$10,394,072 (December 31st, 2009 - \$9,013,334) of contributed surplus and an offsetting accumulated deficit of \$169,998,483 (December 31st, 2009 - \$152,254,876). The majority of capital funding has therefore come by way of share issuance. The Company also has long term debt part of its capital structure in the amount of \$2,089,229 (December 31st, 2009 - \$700,196).

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company sets the price of capital in proportion to risk and market levels for similar products. 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 can issue new shares, return shares to shareholders, sell assets, buy back debt or issue new debt and / or any combination thereof.

The Company monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of the Company's operations. The Company's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Company cannot predict.

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21. Subsequent Events

In the subsequent period, on August 4th 2010, the Company issued 21,133,100 common shares \$4.00 each for gross proceeds of \$84,532,400 pursuant to a short form prospectus offering.

In the subsequent period, on August 9th 2010, the Company entered into a purchase agreement for a 50% of a 100% interest in 18 mineral claims located in Tully Township, Porcupine Mining Division in the District of Cochrane, Ontario from Canadian Lithium Corp. The Company acquired the interest with SGX Resources Inc. for total consideration of \$200,000, 150,000 common shares of the Company, and 600,000 common shares of SGX Resources Inc. SGX Resources Inc. acquired the other 50% of the mineral claims. The sale of the mineral claims is subject to the approval of the TSX Venture Exchange and the approval of the boards of directors of the Company, SGX Resources Inc. and Canadian Lithium Corp.