

August 16, 2010



San Gold Q2 Results: Continuing exploration success and improved operating results

(Bissett, MB – TSXV:SGR – OTCQX:SGRCF) San Gold Corporation is pleased to announce the release of its second quarter financial statements and related management discussion and analysis. The Company continued to achieve strong exploration results through the second quarter while implementing processes to improve its financial position and operating cost profile.

San Gold achieved a quarterly record of 63,024 tons mined during the quarter or 693 tons per day and milled 58,098 tons of ore or the equivalent of 638 tons per day during the second quarter. The Company also completed 1,400 feet of ramp development during the period toward the high-grade, near-surface 007 zone. This drift reached the 007 zone near the latter part of the quarter at approximately 240 meters (800 feet) below surface. Bulk sampling of this zone and subsequent development from this level as well as initial access from surface will be carried out for the remainder of this year.

The Rice Lake Mine continues to develop and produce from the 98, 98 FW and RL East veins at the eastern ends of the 26 and 28 levels. Low volumes combined with older infrastructure and the deeper locations render this ore relatively expensive to extract compared with San Gold's newer near-surface ore bodies. The Rice Lake mine therefore continues to provide dual utility in terms of the production and development of these eastern zones and also in providing an optimum platform for the exploration and future access to potential depth extensions of the Hinge, 007, L-13 and Emperor Zones.

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 in the MD and A) per ounce is calculated as \$543 (\$511 USD) at the Hinge mine and an operating loss per ounce of \$324 (\$305 USD) at Rice Lake. Cash cost per ounce at the Hinge was \$685 (\$645 USD) and \$116 (\$109 USD) per ton, cash cost at Rice Lake was \$1,552 (\$1,462 USD) per ounce and \$283 (\$267 USD) per ton. In total this meant the overall cash cost was \$1,084 (\$1,021 USD) per ounce and \$190 (\$179 USD) per ton – still developmental but materially improved over the same quarter last year of \$280 (\$264 USD) per ton and \$2,833 (\$2,669) per ounce cash costs. (Please see discussion on Non-GAAP financial measures within the MD and A 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 was not milled in the quarter and the above noted figures are calculated on milled tonnage only.

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.

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.

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The company also initiated a “bought deal” that resulted in substantial improvements to its financial position early in the subsequent period. On Aug. 4, the company raised net proceeds of \$79.9 million through the issuance of 21,133,000 common shares.

Dale Ginn, CEO noted that: “We are encouraged by our performance during the first half of 2010, though we recognize there is considerable need to improve production rates at the Rice Lake Mine. Our outstanding success in discovering new high grade gold deposits near surface such as the 007 has forced us to remain in a development mode longer than anticipated. We look forward to lower costs and higher volumes as the near surface zones become much more prevalent in our production mix going forward. We also anticipate additions and enhancements to our management team in order to focus more closely on our development and production growth.”

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	25,162,734	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	4,416,019	10,895,819
Exploration	2,161,521	725,338	4,674,304	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

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