

SECOND QUARTER REPORT

JUNE 30, 2010



NGEx RESOURCES INC.

NGEx Resources Inc.

Second Quarter 2010 Highlights

During the three months ended June 30, 2010 the Company completed its 2009-2010 field programs in South America and Eritrea. We received positive drill results from Los Helados, Chile and encouraging results from target definition work at Colmillos and Andrea, two earlier stage copper projects in Chile. Exploration work in both regions will resume in the fourth quarter after the southern hemisphere winter and rainy season respectively. In Africa we completed a follow-up drill program on the Aradaib massive sulfide prospect in Eritrea and received encouraging results from our early stage copper-zinc projects in Congo-Brazzaville. On the business front we closed a transaction to sell our Burkina Faso projects to Indigo Exploration Inc. and continued efforts to divest non-core projects. This effort has been successful and we expect to announce further divestments in due course.

SOUTH AMERICAN PROJECTS

Los Helados Project, Chile

- Results from a recently completed 4,407 metre drill program both confirmed and extended the porphyry copper mineralization at this project. The holes were all significant step outs from LH-04 completed in 2009, which intersected 762m of 0.43% copper and 0.22 grams/tonne gold including 345m of 0.57% copper and 0.21 grams/tonne gold. The holes were all significant step outs from LH-04 and the results confirm the presence of a large mineralized porphyry copper system that extends approximately 1,000 metres north-south and 700 metres east-west. The system is open to the north, south, and east. Highlights from this year's drilling include LH-05 which intersected 465 metres of 0.39% copper, 0.1 grams/tonne gold including 70 metres of 0.53% copper, 0.13 grams/tonnes gold; LH-06 430m of 0.46% copper, 0.15 grams/tonnes gold; and LH-07 with 18 metres of 0.51% copper, 0.15 grams/tonne gold within a continuous 744 metre interval of lower grade material. The drilling as well as surface mapping and sampling completed during the field season also confirm the potential for high sulfidation gold mineralization in the upper (eastern) portions of the Los Helados system. Planning is underway for a follow-up drill program scheduled to start in the fourth quarter of 2010.
- Los Helados is one of several large porphyry copper-gold systems including the Company's Josemaria and Filo del Sol projects, all located within the large block of contiguous ground that the Company controls in Region 3, Chile and adjacent San Juan Province Argentina. Nearby deposits held by other companies include Caserones-Regalito (Pan Pacific Copper) and El Morro-La Fortuna (New Gold/Xstrata).

Colmillos and Andrea Projects, Chile.

- Mapping and sampling have defined two new targets with porphyry copper-style mineralization in under-explored parts of the productive Miocene-Pliocene and Eocene-Oligocene Belts. The Colmillos and Andrea projects are new grass roots discoveries made by NGEx Resources Ltd. (the "Company") geologists while exploring alteration and structural targets identified through a combination of in-house satellite image processing and compilation of regional geology. Initial surface work in both projects includes talus and rock-chip sampling as well as 1:10,000-scale mapping. Results to date suggest the presence of large porphyry copper systems and will be followed up with geophysical surveying and drilling later this year.

AFRICAN PROJECTS

Eritrea

- In the first half of the year the Company completed an approximately 2,000 metre drill program that targeted volcanogenic massive sulphide targets on its Mogoraib and Kerkebeit licenses. The most significant results were obtained from Aradaib prospect. The first hole at Aradaib, ARD-10-001, tested a gossan outcrop highly anomalous in gold, copper, zinc, silver and lead returning a 17 metre interval of massive and semi-massive sulphides including: 10 metres @ 1.22% Zn, 1.89% Cu, 0.92 g/t Au, 21 g/t Ag and a consecutive zinc rich interval of 7 metres @ 15.15% Zn, 0.99% Cu, 0.32 g/t Au, 33 g/t Ag. Four shallow follow-up holes were drilled during the current quarter. The objective of the holes was to determine the geometry of the Aradaib mineralization. Results from all holes are pending.
- Field work is now on hold due to the onset of the rainy season but is expected to resume in September. For a variety of reasons most of the Company's licenses in Eritrea have never been flown with airborne geophysics- usually a standard part of VMS exploration. Conditions are now more favorable and planning is underway for a helicopter-borne Mag and EM (Magnetics and Electro-magnetics) survey that is expected to begin in late September. The survey will cover all of the Company's current licenses in Western Eritrea and is expected to generate numerous new targets in the extensive areas of shallow cover that have not been amenable to prospecting. It is also expected to help to define the strike extensions and geometry of poorly exposed targets like Aradaib and Hambok.

Republic of Congo

- The Company has two exploration licenses in Congo-Brazzaville. The licenses cover 1,579 square kilometres of ground in the Boko Songo-Mindouli trend where mining during French colonial times exploited high grade copper and zinc ore bodies hosted in carbonate rocks. The project area is located approximately 70 kilometres west of the capital city of Brazzaville and is accessible by road. The rail line connecting Brazzaville with the port city of Point Noire passes between 5 and 30 kilometres south of the major prospects identified to date. Some historic mines are presently being rehabilitated by Chinese and other foreign companies and the Company's exploration is targeting similar high-grade carbonate-hosted copper and zinc mineralization.
- Recent mapping and sampling completed on the Company's licenses has identified four styles of mineralization, which are similar to the mineralization in the historic mines in the area:
 1. Copper-dominant karst-fill mineralization (3-5% copper),
 2. High-grade (>10% copper) chalcocite mineralization replacing specific carbonate horizons,
 3. Fracture controlled moderate grade copper mineralization (1-2% copper), and
 4. Lead-zinc veins and carbonate replacement bodies (5-15% lead and zinc).
- The Company plans to conduct induced polarization (IP) surveys over the most prospective areas in September 2010 with follow-up drilling planned for later in the year.

Divestments

- The Company completed the sale of its Burkina Faso subsidiary to Indigo Exploration Inc. in consideration for \$65,000 in cash and 3,000,000 shares of Indigo.
- To date the Company's ongoing divestment program has raised \$6.1 million in cash and shares valued at approximately \$6.0 million. This transaction follows our previously announced sale of the Caballo Blanco gold Project in Mexico and is another step in our strategy for realizing value from our pipeline of projects. It also allows us to focus our exploration dollars on high priority projects while retaining the ability to

participate in any future success of the projects we divest through the equity portion of the consideration received by the Company from such transactions.

Outlook

In the coming quarter the Company expects to receive results from its Eritrea drill program and to commence ground geophysical surveys in Congo and an airborne geophysical survey in Eritrea that will define drill targets for late in the year. Planning will continue during the coming quarter in preparation for significant drill programs at Los Helados, Josemaria, and Colmillos and Andrea that are expected to commence in the last quarter of 2010. The divestment of non-core projects is also anticipated to continue.



Second Quarter 2010
Period Ended June 30, 2010

NGEx RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX MONTHS ENDED JUNE 30, 2010

This MD&A focuses on significant factors that have affected NGEx Resources Inc. ("the Company") and its subsidiaries and such factors that may affect its future performance. In order to understand the MD&A better, it should be read in conjunction with the unaudited consolidated financial statements for the six months ended June 30, 2010 and the December 31, 2009 year end audited consolidated financial statements and the related notes therein. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollars amounts are expressed in Canadian dollars, unless otherwise indicated. The effective date of this MD&A is August 12, 2010.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and at the Company's website www.ngexresources.com.

OVERVIEW

The Company is principally engaged in the acquisition, exploration and development of precious and base metal properties located in Africa, North and South America.

EXPLORATION HIGHLIGHTS UPDATE

During the quarter ended June 30, 2010 the Company:

- Received drill results from its Los Helados project in Chile.
- Completed geophysical surveys at both Los Helados, Chile and Josemaria, Argentina.
- Drilled follow up holes at its Aradaib VMS prospect in Western Eritrea.
- Received initial results from regional mapping and sampling on its base metal projects in Congo.
- Received encouraging results from two early stage copper projects in Chile.
- Closed the sale of the wholly owned subsidiary holding the Company's Burkina Faso gold projects to Indigo Exploration Ltd.

SOUTH AMERICAN PROJECTS

During the quarter the Company received results from the drill program at its Los Helados copper-gold project in Chile and as well as results from geophysical surveys at both Los Helados and the Josemaria project in Argentina. Results were also received from initial mapping and sampling at Andrea and Colmillos, two earlier stage copper projects in Chile. Field work the South American projects have now finished due to the onset of the southern hemisphere winter but will resume in the fourth quarter of 2010.

Jose Maria Project, Argentina

Jose Maria is a large copper/gold porphyry project located in San Juan Province, Argentina near the Vicuna group of properties described below. Jose Maria contains a NI 43-101 compliant inferred resource of 460 million tonnes at 0.39% tonnes copper and 0.30 grams/tonne gold at a 0.3% copper cut off. The Jose Maria resource is open in several directions.

The 100% owned Jose Maria and the adjacent 75% owned Batidero properties are subject to a joint exploration agreement ("Jose Maria JEA") dated March 16, 2009 with Japan Oil, Gas and Metals National Corporation ("Jogmec"). The Jose Maria JEA provides Jogmec the option to acquire 40% of the Company's interest in these properties. In consideration, Jogmec paid Suramina US\$1 million upon signing of the Jose Maria JEA and is required to make US\$6.13 million in exploration expenditures over three years in order to acquire the 40% interest. Jogmec has met its first year work commitment as of March 31, 2010. Once Jogmec has earned its interest, the partners will fund ongoing expenditures pro-rata to their ownership interest.

The Company completed a seven hole, 2,253 metre drill program in December, 2009. The results of the drilling were released during the previous quarter. In the current quarter the Company completed a 27 line kilometre IP/Resistivity survey that filled in gaps in the geophysical coverage to the north and west of the known resource. The survey confirmed the extension of the chargeability anomaly associated with mineralization for another 1,000 metres to the north of current drilling. The results confirm that the already large Jose Maria deposit lies within a much larger mineralized porphyry system. The next drill program planned to start in November, 2010 will focus on finding higher grade zones within the newly identified extensions.

Vicuna Project, Argentina and Chile

The Vicuna properties comprise a large land package of approximately 18,300 hectares that covers a number of porphyry copper and high sulfidation gold targets in San Juan Province, Argentina and immediately adjacent parts of Chile. The Vicuna Properties are adjacent to Jose Maria and are subject to a separate Joint Venture Exploration Agreement (the "Vicuna JEA") with Jogmec in which the Company holds a 60% participating interest and Jogmec holds a 40% participating interest. Each party funds its pro rata share of expenditures.

The Vicuna project includes several copper gold targets that have been explored in the past including: Filo del Sol where previous drilling has identified near surface copper oxides and gold within a diatreme hosted gold target and a deeper porphyry copper target.

The most important current target is Los Helados located located in Region 3 Chile approximately 10 kilometres northwest of Jose Maria. Past drilling included LH-04 with 762 metres of 0.43% copper and 0.22 g/t gold. A deep penetrating MIMDAS geophysical survey was completed in April 2009 to better define the mineralization at depth and to the north and west of LH 04.

During the first half of 2010, the Company completed a 4,407 metre drill program consisting of 7 diamond drill holes at Los Helados. The holes were all significant step outs from LH-04 and the results confirm the presence of a large mineralized porphyry copper system that extends approximately 1,000 metres north-south and 700 metres east-west. The system is open to the north, south, and east.

Highlights from this year's drilling include LH-05 which intersected 465 metres of 0.39% copper, 0.1 grams/tonne gold including 70 metres of 0.53% copper, 0.13 grams/tonnes gold; LH-06 430 metres of 0.46% copper, 0.15 grams/tonnes gold; and LH-07 with 18 metres of 0.51% copper, 0.15 grams/tonne gold within a continuous 744 metre interval of lower grade material. The drilling as well as surface mapping and sampling completed during the field season also confirm the potential for high sulfidation gold mineralization in the upper (eastern) portions of the Los Helados system. Planning is underway for a follow-up drill program scheduled to start in the fourth quarter of 2010.

Other Chilean Projects

Regional exploration and prospecting continued on a number of early stage copper-gold projects in Chile where mapping and sampling programs have defined targets with porphyry copper-style mineralization in poorly explored regions of the productive Miocene-Pliocene and Eocene-Oligocene Belts. Colmillos and Andrea projects are new grass roots porphyry copper discoveries made by NGEEx geologists while exploring alteration and structural targets identified through a combination of in-house satellite image processing and compilation of regional geology.

The Colmillos project consists of 100% owned exploration licenses covering 3,400 hectares. The licenses were acquired by staking. Mapping and sampling to date have defined a 4.3 by 0.7 kilometre long trend of tourmaline breccia bodies with occasional copper oxides and strongly anomalous molybdenum analyses in rock chip samples. To date, 258 samples of talus fines, 76 rock chip samples and 6 float samples have been collected. In the southern part of the property, an east-west, 1.2 kilometres long line of talus samples taken over strongly oxidized and leached intrusives and breccias returned an average 292 ppm copper and 45 ppm molybdenum. The 41 rock samples collected from this area returned an average of 232 ppm copper and 35 ppm molybdenum with maximums of 3,936 ppm copper and 388 ppm molybdenum. All samples are from strongly oxidized and leached rock and therefore these values are considered strongly anomalous. The copper and molybdenum values as well as the observed surface alteration features are typical of the leached caps of porphyry copper systems. Results to date are encouraging and planning is underway to construct a road to access the area and to conduct a geophysical survey over the breccia trend.

The Andrea Project consists of 100% owned exploration licenses covering 1,300 hectares. The alteration zone extends over an area of 3 by 2 kilometres and grades outward from a 600m long central core of potassic alteration with disseminated secondary biotite and stockwork pyrite, magnetite and chalcopyrite, to a large area of sericitic alteration with abundant iron oxides (goethite > jarosite > hematite).

Exploration work to date consists of 149 talus fines and 80 rock samples, and 1:10,000-scale outcrop mapping. In detail, 31 talus samples that cover the area of potassic alteration average 1,770 ppm copper and 45 ppm molybdenum (and 36 ppb gold); rock samples from this area average 1,746 ppm copper and 31 ppm molybdenum and assayed up to a maximum of 6,016 ppm copper and 253 ppm molybdenum with a nucleus of 600 metres by 200 metres that averaged 2,400 ppm copper. These results are considered to be very encouraging for this early stage of exploration.

The results of geochemical sampling and alteration mapping to date indicate that a significant copper-molybdenum porphyry system has been identified at Andrea. The best results to date correspond to the zone of potassic alteration. Planning is underway to construct a road into the Andrea area to allow access for geophysical surveying and drilling. It is expected that this work will begin in the fourth quarter of 2010.

NORTH AMERICAN PROJECT

GJ/Kinaskan Project, Canada

The GJ/Kinaskan Property is located in northwest British Columbia, Canada, about 10 kilometres west of Highway 37. The Company has a 100% working interest in the property. The BC and Federal Governments recently announced plans to build a new power line along the Highway 37 corridor. When completed the proximity of grid power would have a positive effect on the economics of the GJ project. The claims cover an area of about 150 square kilometres and cover a number of significant mineral showings, including the Donnelly, GJ and North zones. The GJ project has a measured and indicated resource, of 153.3 million tonnes grading 0.321% copper and 0.369 g/t gold, at a cut off grade of 0.20% copper which contains 1.09 billion pounds of copper and 1.82 million ounces of gold. The resource estimate was prepared to NI 43-101 standards by qualified person Mr. Gary Giroux P.Eng. and is filed on SEDAR under the Company's profile.

The positive news from the Government with regards to infrastructure improvements as well as positive drill results from the Red Chris Deposit have raised the profile of the GJ project and the Company has received several expression of interest in the project. The Company will continue to consider all options to realize value from its investment in GJ.

AFRICAN PROJECTS

Eritrea

The Company holds two exploration licenses which cover extension of the rocks hosting Nevsun Resources's Bisha copper-zinc-gold deposit. The Company's Mogoraib License hosts the Hambok deposit which has a NI 43-101 compliant indicated resource (at a 0.75% zinc cutoff) of 10.7 million tonnes grading 0.98% copper, 2.25% zinc, 6.84 g/t silver, 0.20 g/t gold and an additional inferred resource (at a 0.75% zinc cutoff) of 17.0 million tonnes of 0.85% copper, 1.74% zinc, 5.89 g/t silver, 0.19 g/t gold. The wide spaced drilling to date suggests the presence of a higher grade core to the Hambok Deposit although more drilling is required to better define this zone. This report is filed under the Company's profile on SEDAR.

In the first half of the year the Company completed an approximately 2,000 metre drill program that targeted volcanogenic massive sulphide targets on its Mogoraib and Kerkebeit licenses. The most significant results were obtained from Aradaib prospect.

The first hole at Aradaib, ARD-10-001, tested a gossan outcrop highly anomalous in gold, copper, zinc, silver and lead returning a 17 metre interval of massive and semi-massive sulphides including: 10 metres @ 1.22% Zn, 1.89% Cu, 0.92 g/t Au, 21 g/t Ag and a consecutive zinc rich interval of 7m 15.15% Zn, 0.99% Cu, 0.32 g/t Au, 33 g/t Ag. A second hole, ARD-10-002, drilled 230 metres to the northeast, intersected altered host volcanic rocks with pervasive disseminated and stringer sulphides, returning a 3 metre interval of 1.30% Zn from 60.0 metres depth. The remainder of the hole was strongly anomalous in copper and zinc. Four follow-up holes were drilled during the current quarter. The objective of the holes was to determine the geometry of the Aradaib mineralization. Two of the holes hit visually identified massive sulfide. One hole hit a zone of strongly oxidized rock but no massive sulfide and may have overshot plunging mineralization. The fourth hole was drilled to test a massive barite occurrence located on strike approximately 1,500 metres south of the Aradaib gossan. Barite in the area is often associated with gold mineralization. This hole intersects 15 metres of strongly oxidized barite rich material. Results from all holes are pending.

Field work is now on hold due to the onset of the rainy season but is expected to resume in September. Planning is underway for a helicopter-borne Mag and EM (Magnetics and Electro-magnetics) survey that is expected to begin in late September 2010. The survey will cover all of the Company's current licenses in Western Eritrea and is expected to generate numerous new targets in the extensive areas of shallow cover that have not been amenable to prospecting. It is also expected to help to define the strike extent and geometry of poorly exposed targets like Aradaib and Hambok.

Burkina Faso

During the second quarter of 2010 the Company sold its Burkina Faso subsidiary to Indigo Exploration Inc ("Indigo"). The consideration for the transaction was \$65,000 in cash and 3,000,000 shares of Indigo at a deemed price of \$0.15 per share.

Congo-Brazzaville

The Company has two exploration licenses in Congo-Brazzaville. The licenses cover 1,579 square kilometres of ground in the Boko Songo-Mindouli trend where mining during French colonial times exploited high grade copper and zinc ore bodies hosted in carbonate rocks. Some historic mines are presently being rehabilitated by Chinese and other foreign companies. The Company's exploration is targeting similar high-grade carbonate-hosted copper and zinc mineralization.

The project area is located approximately 70 kilometres west of the capital city of Brazzaville. Most of the project area is accessible by road and the rail line connecting Brazzaville with the port city of Point Noire passes between 5 and 30 kilometres south of the major prospects identified to date. Recent mapping and sampling completed on the Company's licenses has identified examples of all four styles of mineralization that has historically produced in the District.

- Copper-dominant karst-fill mineralization (3-5% copper),
- High-grade (>10% copper) chalcocite mineralization replacing specific carbonate horizons,
- Fracture controlled moderate grade copper mineralization (1-2% copper), and
- Lead-zinc veins and carbonate replacement bodies (5-15% lead and zinc).

The Company acquired the exploration licenses in late 2009 and began field work consisting of soil sampling, mapping and prospecting shortly thereafter. This work has extended known occurrences and historic prospects and identified several new prospects and trends. Rock chip sampling and mapping continues to help define these prospects. The Company plans to conduct induced polarization (IP) surveys over the most prospective areas in September 2010 with follow-up drilling planned for later in the year.

CHANGES IN ACCOUNTING POLICIES

In January 2009, the Canadian Institute of Chartered Accountants issued the following new standards:

Sections 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-controlling interests".

Section 1582 replaces Handbook section 1581 "Business Combinations" and sections 1601 and 1602 together replace Handbook section 1600 "Consolidated Financial Statements". The adoption of section 1582, and collectively, 1601 and 1602 provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3 "Business Combinations" and International Accounting Standards (IAS) 27 "Consolidated and Separate Financial Statements", respectively.

CICA 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

The Company has early adopted these new rules effective from January 1, 2010. There was no material impact on the consolidated financial statements as a result of this adoption.

SELECTED QUARTERLY INFORMATION

Financial Data for 8 Quarters								
Three Months Ended	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08	Sep-08
A. Exploration Expenses, net of recoveries (\$000's)	1,741	1,853	1,181	1,448	1,140	1,113	1,097	2,349
B. Net (loss) income (\$000's)	(2,315)	(2,773)	7,395	(1,855)	(1,920)	(1,050)	(1,254)	(2,648)
C. Basic and diluted loss per share (\$)	(0.01)	(0.02)	0.05	(0.02)	(0.02)	(0.02)	(0.02)	(0.05)

QUARTERLY ANALYSIS

Net loss, quarter over quarter, is affected by the level of exploration and project investigation expenses incurred and write-off of mineral properties interests and will vary accordingly. Net loss is also impacted by the recognition of stock based compensation in that quarter, which will depend on options granted and vested. Exploration expenditures are affected to some extent by seasonal factors, exploration results and availability of funds.

The net income for the fourth quarter ended December 2009 is primarily due to the gain realized from the sale of the Company's subsidiaries which held the option on the Caballo Blanco property.

RESULTS OF OPERATIONS

The Company recorded a net loss of \$2.3 million or \$0.02 per common share for the second quarter ended June 30, 2010 compared to a loss of \$1.9 million or \$0.02 per common share in the first quarter in 2009. Net loss for the six months ended June 30, 2010 was \$5.1 million or \$0.03 per common share. The higher net loss for both the quarter and the six months period is primarily due to an increase in exploration expenditures, higher stock based compensation expenses, and higher wages and benefits, offset by a gain on the sale of subsidiaries which held the Burkina Faso and Sudanese properties. Exploration expenditures have increased as a result of the Company's expansion into Africa and South America in 2009. The higher wages and benefits amount is a result of severance paid during the quarter.

The operating losses are a reflection of the Company's status as a non-revenue producing mineral exploration company. As the Company has no main source of income, losses are expected to continue.

Other comprehensive income reflects the unrealized gains/(loss) on the changes in the fair value of the marketable securities held at the end of the period.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2010, the Company had cash of \$13.6 million and working capital of \$19.7 million as compared to cash and working capital of \$14.2 million and \$24.3 million, respectively, at December 31, 2009.

Net cash used in operating activities was \$5.8 million for the six months ended June 30, 2010 and consisted primarily of the loss from operations of \$5.1 million and adjusted for the impact of non-cash items and changes in non-cash working capital items.

Cash flow from investing activities for the six months ended June 30, 2010 was \$5.2 million, which comprised of the collection of amounts receivable and proceeds from the sale of subsidiaries.

Based on the Company's financial position at June 30, 2010, the Company believes that existing funds will be sufficient to perform planned discretionary exploration and general corporate activities for at least the next twelve months. Additional funding from equity financing will be required in the future to fund further exploration and corporate expenses. There can be no assurance that equity financing will be available to the Company in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgements about matters that are inherently uncertain.

Note 2 to the consolidated financial statements for the year ended December 31, 2009 include a summary of the significant accounting policies adopted by the Company. Accounting estimates deemed most critical by the Company are discussed in the Company's 2009 annual MD&A dated December 31, 2009. There have been no material changes to the critical estimates discussed in the Company's 2009 annual MD&A.

RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2010, the Company incurred:

- (a) management fees of \$270,000 (2009 - \$227,919) to a company controlled by a director pursuant to an agreement for services and office facilities, which is renewable on August 1, 2011. At June 30, 2010, \$10,793 (December 31, 2009 - \$3,395) was due to this company and included in amounts due to related parties.
- (b) \$5,931 for technical services to a company related by directors in common. At June 30, 2010, \$2,002 was due to this company in respect of technical services incurred.

In the year ended December 31, 2009 the Company incurred:

- (a) legal fees of \$89,280 to a law firm of which a partner was a director of the Company. At December 31, 2009, \$56,760 was due to this law firm and included in amounts due to related parties.

- (b) donation of \$87,000 to Lundin for Africa Foundation, a charitable organization with two directors in common. At December 31, 2009, \$87,000 was due to this Foundation and is included in amounts due to related parties.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OUTSTANDING SHARE DATA

As at August 12, 2010, the Company had 146,901,649 common shares outstanding, 5,527,980 share options outstanding under its stock-based incentive plans and 14,312 share purchase warrants outstanding.

FINANCIAL INSTRUMENTS

The Company classifies financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables or other financial liabilities. The Company's financial instruments consist of cash, accounts receivable, investments, other assets, accounts payable and accrued liabilities and due to related parties. The carrying value of cash, accounts receivable, investment and accounts payable approximates fair value. The investments are recorded at fair value as determined by active market prices, measured at cost if there is no active market quoted market price or recent sale.

CONTINGENCY

The Company's Argentine subsidiary, Desarrollo de Prospectos Mineros SA "DPM", has received in January 2009 a claim from the Banco Central de la Republica Argentina ("BCRA") in connection with two foreign exchange transactions made in 2003. It has been alleged that DPM exceeded the maximum allowable limit by approximately US\$63,000 for foreign exchange conversions on those days.

DPM have filed a statement of defence to dismiss this claim. Provisions have not been made in the consolidated financial statements as the likelihood of the loss occurring cannot be determined and the amount of loss if it should occur cannot be reasonably estimated at this early stage. DPM will continue to defend its position.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Canadian Accounting Standards Board ("AcSB") has set January 1, 2011 as the date for publicly-listed companies to adopt IFRS, replacing Canadian GAAP. Accordingly, IRFS compliant financial statements for the Company will be required for the first quarter of 2011. Comparative figures presented in these financial statements are also required to comply with IFRS.

The Company has disclosed in its annual MD&A, filed on SEDAR on March 31, 2010, on the details of its conversion processes. During the second quarter of 2010, the Company continued to make progress on the Phase 2 (Impact analysis, quantification and evaluation) of its conversion plan. This includes detailed assessment and technical analysis of each area identified from Phase 1 that will result in the conclusion of IFRS transitional adjustments, decisions on accounting policy choices and the drafting of accounting policies.

The Company will proceed with Phase 3 (Implementation phase) of its conversion plan in the second half of 2010. This phase includes the collection of financial information necessary to compile IFRS compliant financial statements and the preparation of the opening balance sheet as at January 1, 2010.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes to the Company's disclosure controls and procedures during the six months ended June 30, 2010.

For the six months ended June 30, 2010, no changes were made in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

RISKS AND UNCERTAINTIES

There have been no material changes in the risks and uncertainties affecting the Company that were discussed in the Company's 2009 annual MD&A filed on March 31, 2010.

OFF-BALANCE SHEET AGREEMENTS

The Company has no off-balance sheet arrangements.

OUTLOOK

The Company has completed this season's exploration programs in South America. Analysis of the results and planning for next season is now underway. Drill programs are expected at Josemaria, Los Helados and perhaps two more earlier stage prospects. The second phase of drilling at Aradaib in Eritrea is complete. Results are expected during the third quarter. In September we expect to start a ground geophysical survey in Congo-Brazzaville and an airborne geophysical survey in Eritrea. Both surveys are expected to generate new drill targets for testing later in the year.

We completed the sale of the Burkina Faso gold projects to Indigo in the second quarter. Efforts to rationalize and focus our portfolio through divestments of non-core projects are ongoing and we expect to announce additional transactions in the coming months.

Following the financing that was completed late last year and the sale of our interest in Caballo Blanco the Company is well financed and able to fund all currently planned programs as well as any additional drilling required to follow-up on any positive results. We have applied for new licenses in Eritrea and in Chile and we continue to seek and evaluate new projects and our strong financial position will enable us to act promptly on these opportunities.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made and contained herein in the MD&A and elsewhere constitute forward-looking statements. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or achieved. Forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements including, without limitation, exploration/drill results and budgets; mineral reserve and resource estimates and the geology, grade and continuity of mineral deposits; metal price and foreign currency fluctuations; uncertain political and economic environments; changes in laws or policies; delays or the inability to obtain the necessary government permits; the need to obtain financing and uncertainty as to the availability and terms of future financing; uncertainties involved in dispute or litigation and other risks and uncertainties describe under Risks and Uncertainties disclosed above and in the Company's Annual Information Form. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and the Company does not assume any obligations to update or revise them to reflect new events or circumstances, except as required by law.

NGEx RESOURCES INC.
INTERIM CONSOLIDATED BALANCE SHEETS
(Amounts are stated in Canadian dollars)
(Unaudited)

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
ASSETS		
Current assets		
Cash	\$ 13,580,794	\$ 14,240,947
Investments (Note 4)	6,420,000	6,308,223
Accounts receivable	45,738	5,114,646
Prepaid expenses	483,133	388,612
Due from joint venture partners	4,542	15,513
	<u>20,534,207</u>	<u>26,067,942</u>
Fixed assets, net (Note 5)	405,908	462,655
Mineral properties (Note 6)	25,973,009	26,081,009
Other assets	43,500	43,500
	<u>\$ 46,956,623</u>	<u>\$ 52,655,106</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 796,793	\$ 973,568
Due to related parties (Note 9)	12,795	147,155
Due to joint venture partners	52,445	613,339
	<u>862,034</u>	<u>1,734,063</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 8)		
146,901,649 shares (December 31, 2009 - 146,858,712 shares)	151,513,754	151,480,754
Reserved for issuance 20,348 shares	1,290	1,290
Contributed surplus - stock options	3,672,257	2,986,094
Deficit	(108,642,489)	(103,555,093)
Accumulated other comprehensive income	(450,223)	7,998
	<u>46,094,589</u>	<u>50,921,043</u>
	<u>\$ 46,956,623</u>	<u>\$ 52,655,106</u>

Nature and Continuance of Operations (Note 1)

ON BEHALF OF THE BOARD:

/s/William A. Rand
Director

/s/Wojtek A. Wodzicki
Director

NGEx RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS
AND COMPREHENSIVE LOSS
(Amounts are stated in Canadian dollars)
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Expenses				
Exploration and project investigation (Note 7)	\$ 1,740,592	\$ 1,139,791	\$ 3,594,012	\$ 2,253,261
Management fees	135,000	143,919	270,000	227,919
Office and general	42,812	21,020	85,174	28,508
Professional fees	79,318	48,134	110,140	95,734
Promotion and public relations	8,573	25,823	33,403	31,838
Stock exchange and filing fees	4,895	18,653	35,549	25,870
Transfer agent and shareholder information	14,485	13,348	20,072	16,924
Travel	18,855	6,372	21,654	6,540
Wages and benefits	537,208	433,823	676,253	504,671
Stock based compensation	216,581	(36,277)	597,167	122,656
Loss before the undernoted items	2,798,319	1,814,606	5,443,424	3,313,922
Other (income) expenses				
Interest income	(78,424)	(7,870)	(100,697)	(29,916)
Foreign exchange loss	216,487	47,829	208,425	22,969
Other expenses (income)	60,696	65,207	110,575	65,207
Gain on sale of subsidiaries (Note 6 (c))	(682,332)	-	(682,332)	-
Write-off of mineral property interests (Note 6 (a))	-	-	108,000	-
Net loss before income taxes	2,314,745	1,919,772	5,087,396	3,372,182
Future income tax recovery	-	-	-	(403,202)
Net loss for the period	2,314,745	1,919,772	5,087,396	2,968,980
Other comprehensive loss				
Unrealized loss on investments	454,980	-	458,221	-
Comprehensive loss for the period	2,769,725	\$ 1,919,772	5,545,617	\$ 2,968,980.28
Basic loss per common share	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.04
Diluted loss per common share	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.04
Weighted average number of shares outstanding	146,901,649	100,579,167	146,898,565	79,461,049
Diluted weighted average number of shares outstanding	146,901,649	100,579,167	146,898,565	79,461,049

NGEx RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts are stated in Canadian dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Cash flows used in operating activities				
Net loss for the period	\$ (2,314,745)	\$ (1,919,772)	\$ (5,087,396)	\$ (2,968,981)
Items not affecting cash				
Depreciation	27,880	50,070	56,747	117,462
Stock based compensation	315,820	(33,585)	696,406	145,137
Gain on sale of subsidiaries	(682,332)	-	(682,332)	-
Write-off of mineral property interests	-	-	108,000	-
Future income tax recovery	-	-	-	(403,202)
	<u>(2,653,378)</u>	<u>(1,903,287)</u>	<u>(4,908,574)</u>	<u>(3,109,584)</u>
Changes in non-cash working capital items				
Accounts receivable and prepaid expenses	(136,524)	167,896	(102,616)	600,269
Accounts payable and accrued liabilities	(795,363)	(832,338)	(176,773)	(867,358)
Due to related parties	(55,492)	(173,204)	(134,360)	(157,827)
Advances from/(to) joint venture partners	112,205	(515,556)	(549,922)	(515,556)
	<u>(3,528,553)</u>	<u>(3,256,489)</u>	<u>(5,872,245)</u>	<u>(4,050,056)</u>
Cash flows from financing activities				
Common shares issued, net	-	-	22,757	-
	<u>-</u>	<u>-</u>	<u>22,757</u>	<u>-</u>
Cash flows from (used in) investing activities				
Net cash received from acquisitions	-	4,800,747	-	4,800,747
Mineral properties and related expenditures	-	(100,650)	-	(100,650)
Collection of accounts receivable from sale of subsidiaries	3,077,004	-	5,077,004	-
Purchase of equipment	-	-	-	(12,028)
Proceeds from sale of subsidiaries	112,332	-	112,332	-
Other assets	-	(16,550)	-	(253,692)
	<u>3,189,336</u>	<u>4,683,547</u>	<u>5,189,336</u>	<u>4,434,377</u>
Decrease (increase) in cash	(339,217)	1,427,058	(660,153)	384,321
Cash, beginning of the period	13,920,011	5,091,453	14,240,947	6,134,191
Cash, end of the period	<u>\$ 13,580,794</u>	<u>\$ 6,518,511</u>	<u>\$ 13,580,794</u>	<u>\$ 6,518,511</u>
Supplementary information regarding non-cash investing activities:				
Shares received from sale of subsidiaries	<u>\$ 570,000</u>	<u>\$ -</u>	<u>\$ 570,000</u>	<u>\$ -</u>

NGEx RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF DEFICIT
(Amounts are stated in Canadian dollars)
(Unaudited)

	For the Six Months Ended June 30, 2010	For the Six Months Ended June 30, 2009
	<u> </u>	<u> </u>
Deficit, beginning of the period	\$ 103,555,093	\$ 106,125,725
Net loss for the period	<u>5,087,396</u>	<u>2,968,981</u>
Deficit, end of the period	<u><u>\$ 108,642,489</u></u>	<u><u>\$ 109,094,706</u></u>

NGEx RESOURCES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2010
(Amounts are stated in Canadian dollars, unless otherwise stated)
(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

NGEx Resources Inc. (the "Company") is a Canadian federal company engaged in the acquisition, exploration and development of mineral properties.

The recoverability of the cost of mineral properties expenditures is dependent upon the discovery of economically recoverable reserves, preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the project, and future profitable production or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material reductions in the carrying amount of mineral properties and related fixed assets.

The mineral properties are also subject to title and sovereign risks, including political and economic instability, government regulations relating to mining, military repression, civil disorder, currency fluctuations and inflation, all or any of which may impede the Company's activities or may result in the impairment or loss of part or all of the Company's interest in the properties.

2. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods of application as those disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2009.

These interim consolidated financial statements do not contain all of the information required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the consolidated financial statements included in the Company's 2009 Annual Report.

3. CHANGES IN ACCOUNTING POLICIES

In January 2009, the Canadian Institute of Chartered Accountants issued the following new standards:

Sections 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-controlling interests".

Section 1582 replaces Handbook section 1581 "Business Combinations" and sections 1601 and 1602 together replace Handbook section 1600 "Consolidated Financial Statements". The adoption of section 1582, and collectively, 1601 and 1602 provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3 "Business Combinations" and International Accounting Standards (IAS) 27 "Consolidated and Separate Financial Statements", respectively.

CICA 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

The Company has early adopted these new rules effective from January 1, 2010. There was no material impact on the consolidated financial statements as a result of this adoption.

4. INVESTMENTS

	June 30, <u>2010</u>	December 31, <u>2009</u>
Opening balance	\$ 6,300,000	\$ -
Addition of Goldgroup Resources Inc's ("Goldgroup") shares	-	6,300,000
Unrealized (loss) gain on available for sale investments	(450,000)	8,223
Addition of Indigo Exploration Inc's ("Indigo") shares	<u>570,000</u>	<u>-</u>
Ending balance	<u>\$ 6,420,000</u>	<u>\$ 6,308,223</u>

Investments are classified as available for sale, which are reported at fair value (marked to market) based on quoted market prices, with unrealized gains or losses generated from fair value change in the shares reported as other comprehensive income or loss. The balance as at June 30, 2010 includes 9 million shares of Goldgroup and 3 million shares of Indigo.

5. FIXED ASSETS, NET

June 30, 2010

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Furniture and office equipment	\$ 553,362	\$ (455,176)	\$ 98,186
Vehicles	128,089	(31,793)	96,296
Field equipment	<u>472,556</u>	<u>(261,130)</u>	<u>211,426</u>
	<u>\$ 1,154,007</u>	<u>\$ (748,099)</u>	<u>\$ 405,908</u>

December 31, 2009

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Furniture and office equipment	\$ 558,900	\$ (432,627)	\$ 126,273
Vehicles	148,077	(46,411)	101,666
Field equipment	<u>472,556</u>	<u>(237,840)</u>	<u>234,716</u>
	<u>\$ 1,179,533</u>	<u>\$ (716,878)</u>	<u>\$ 462,655</u>

6. MINERAL PROPERTIES

The carrying value of the Company's mineral properties, at acquisition costs, is as follows:

	June 30, 2010	December 31, 2009
Canada		
GJ/Kinaskan	\$ 261,552	\$ 261,552
Zymo	-	108,000
South America		
JoseMaria	10,782,396	10,782,396
Los Helados	2,713,261	2,713,261
Lirio	70,228	70,228
Africa		
Hambok	12,145,572	12,145,572
Total	<u>\$ 25,973,009</u>	<u>\$ 26,081,009</u>

(a) CANADIAN PROPERTIES

Zymo Property, B.C.

In April 2010 the Company relinquished the option with Eastfield Resources Ltd. to earn up to a 75% interest in the Zymo Property. Accordingly \$108,000 of acquisition costs were written off to operations in the three months ended March 31, 2010.

(b) SOUTH AMERICAN PROPERTIES

(i) Vicuna Joint Exploration Agreement ("Vicuna JEA"), Argentina and Chile

The Vicuna JEA covers a large land package located in Argentina and Chile (the "Vicuna Properties") that is subject to a Joint Exploration Agreement with Japan Oil, Gas and Metals National Corporation ("Jogmec") under which the Company holds a 60% participating interest and Jogmec holds a 40% participating interest. A portion of the Vicuna Properties is subject to underlying agreements.

The remainder of the property, including the Los Helados, subject to the Vicuna JEA was acquired by staking and is held directly by the partners. The amount due to Jogmec at June 30, 2010 in respect of advance cash calls to fund ongoing exploration was US\$17,616.

(ii) Jose Maria Joint Exploration Agreement ("Josemaria JEA"), Argentina

The Josemaria JEA is an agreement dated March 16, 2009 whereby Jogmec has the option to earn a 40% of the Company's interest in the two properties (Lirio-Josemaria Portion and Batidero) that jointly comprise Josemaria. Jogmec can earn its interest by: paying the Company US\$1 million (paid) and making US\$6.13 million (US\$2.4 million spent to June 30, 2010; US\$1.7 million spent to December 31, 2009) in exploration expenditures over three years. If Jogmec earns its interest, the partners will fund ongoing expenditure pro-rata to their ownership interest. The amount due to Jogmec at June 30, 2010 in respect of advance cash calls to fund ongoing exploration was US\$32,409.

The Josemaria is 100% owned by the Company. The Batidero property is owned 75% by the Company and 25% by TNR Gold.

(c) AFRICAN PROPERTIES

Burkina Faso properties:

In April 2010 the Company sold its Burkina Faso subsidiary to Indigo Exploration Inc ("Indigo"). The consideration for the transaction was \$65,000 in cash and 3,000,000 shares of Indigo at a deemed price of \$0.15 per share. As a result of the sale of the subsidiaries which holds the Burkina Faso properties, the Company realized a gain of \$572,012 during the quarter ended June 30, 2010.

7. EXPLORATION COSTS AND PROJECT INVESTIGATION

	GJ, Kinaskan and Zymo Canada	Caballo Blanco Mexico	South America	Africa	Other	Total
Exploration Expenditures for the six months ended June 30, 2010						
Assaying	\$ -	\$ -	\$ -	\$ 67,529	\$ -	\$ 67,529
Camp costs	-	-	-	44,088	-	44,088
Drilling	-	-	645,146	140,569	-	785,715
Environmental & community relation	-	-	63,605	-	-	63,605
Expediting and project supervision	-	-	-	259,226	-	259,226
Field supplies and equipment	-	-	-	128,320	-	128,320
Field salaries and contract labour	-	-	88,916	201,180	-	290,096
Consulting	-	-	-	85,358	-	85,358
Geological, geophysical & geochemical	3,238	-	92,214	58,998	-	154,450
Roadwork/Trenching	-	-	282,024	1,346	-	283,370
Maps, staking and reports	2,888	-	-	2,342	-	5,230
Office miscellaneous	-	-	95,803	73,224	-	169,027
Licenses , fees and access rights	38,063	-	141,928	10,610	-	190,601
Professional	-	-	337,831	38,085	-	375,916
Stock based compensation	-	-	55,844	43,395	-	99,239
Transport and travel	-	-	211,921	190,844	19,305	422,070
Value Added Tax	-	-	170,173	-	-	170,173
Total for the period	\$ 44,188	\$ -	\$ 2,185,405	\$ 1,345,114	\$ 19,305	\$ 3,594,012
Exploration Expenditures for the six months ended June 30, 2009						
Assaying	\$ 190	\$ (12,964)	\$ -	\$ -	\$ 750	\$ (12,024)
Camp costs	62	38,079	-	-	-	38,141
Drilling	-	553,713	47,226	-	-	600,939
Environmental & community relation	3,353	5,371	27,589	-	-	36,313
Expediting and project supervision	(3,296)	(9,292)	-	-	-	(12,588)
Field supplies and equipment	498	156,381	(15,050)	-	-	141,829
Field salaries and contract labour	-	160,489	-	-	-	160,489
Consulting	495	(6,095)	-	-	-	(5,600)
Geological, geophysical & geochemical	21,554	57,479	103,875	-	-	182,908
Roadwork/Trenching	-	57,376	72,585	-	-	129,961
Maps, staking and reports	1,304	99,074	-	-	-	100,378
Office miscellaneous	(4,855)	102,307	80,897	-	-	178,349
Licenses, fees and access rights	4,855	10,121	123,985	-	-	138,962
Professional	-	111,367	222,414	-	-	333,781
Stock based compensation	9,568	12,913	-	-	-	22,480
Transport and travel	1,014	47,412	84,085	-	-	132,511
Value Added Tax	-	-	86,432	-	-	86,432
Total for the period	\$ 34,742	\$ 1,383,730	\$ 834,038	\$ -	\$ 750	\$ 2,253,261

8. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares with no par value.

(b) Issued and outstanding:

	Number of Shares	Share Capital Amount	Contributed Surplus Amount
Common shares			
Balance, March 31, 2009	58,108,286	\$113,522,946	\$ 2,574,503
Issued for 100% of Suramina shares	52,227,705	17,235,143	-
Issued for 100% of Sanu shares	23,825,075	12,150,788	-
Stock options exercised	269,075	142,610	-
Transfer of contributed surplus	-	23,267	(23,267)
Stock based compensation	-	-	132,584
Sanu replacement options	-	-	302,274
Private placement, net	<u>12,428,571</u>	<u>8,406,000</u>	-
Balance, December 31, 2009	146,858,712	\$151,480,754	\$ 2,986,094
Stock options exercised	42,937	22,756	-
Transfer of contributed surplus	-	10,244	(10,244)
Stock based compensation	-	-	<u>696,406</u>
Balance, June 30, 2010	<u>146,901,649</u>	<u>\$151,513,754</u>	<u>\$ 3,672,257</u>

(c) Incentive stock options issued and outstanding are as follows:

The Company has a rolling stock option plan, approved by shareholders on September 15, 2008, reserving an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted. Vesting and terms of the option agreement are at the discretion of the Board of Directors.

The continuity of incentive stock options issued and outstanding is as follows:

	Number of Shares	Weighted-average exercise price
Outstanding at March 31, 2009	2,554,000	\$1.60
Granted	6,317,899	\$0.98
Exercised	(269,075)	\$0.53
Forfeited/Expired	<u>(1,281,535)</u>	\$1.53
Outstanding at December 31, 2009	7,321,289	\$1.12
Exercised	(42,937)	\$0.53
Forfeited/Expired	<u>(646,930)</u>	\$1.56
Outstanding at June 30, 2010	<u>6,631,422</u>	\$1.05
Exercisable at June 30, 2010	<u>4,349,171</u>	\$1.23

The Company uses the Black-Scholes option pricing model in calculating the fair value of stock options. The fair value of the stock options granted with the following assumptions:

	Year ended <u>December 31, 2009</u>
Dividend Yield	0%
Average risk free interest rate	1.82%
Expected volatility	82.74%
Expected life of option	3.3 years

The fair values of stock options with vesting provisions are amortized on a straight-line basis as stock-based compensation expenses over the applicable period.

The following summarized the stock options outstanding as at June 30, 2010:

Range of Exercise Prices (CDN\$)	Outstanding Options			Exercisable Options		
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$0.53 - \$1.00	3,692,786	3.87	\$ 0.67	1,410,535	2.97	\$ 0.62
\$1.01 - \$1.30	1,937,757	0.50	1.25	1,937,757	0.50	1.25
\$1.31 - \$2.80	1,000,879	1.23	2.06	1,000,879	1.23	2.06
	<u>6,631,422</u>	<u>2.49</u>	<u>\$ 1.05</u>	<u>4,349,171</u>	<u>1.47</u>	<u>\$ 1.23</u>

(d) Share purchase warrants:

As at June 30, 2010 the following warrants were outstanding:

Exercise Price	Expiry date	Number of Warrants
CDN\$ 1.44	Oct 20, 2010	<u>14,312</u>

9. RELATED PARTY TRANSACTIONS

In addition to items noted elsewhere in these consolidated financial statements, during the six months ended June 30, 2010, the Company incurred:

- (a) management fees of \$270,000 (2009 - \$227,919) to a company controlled by a director pursuant to an agreement for services and office facilities, which is renewable on August 1, 2011. At June 30, 2010, \$10,793 (December 31, 2009 - \$3,395) was due to this company and included in amounts due to related parties.
- (b) \$5,931 for technical services to a company related by directors in common. At June 30, 2010, \$2,002 was due to this company in respect of technical services and expenses incurred.

In the year ended December 31, 2009 the Company incurred:

- (a) legal fees of \$89,280 to a law firm of which a partner was a director of the Company. At December 31, 2009, \$56,760 was due to this law firm and included in amounts due to related parties.
- (b) a donation of \$87,000 to Lundin for Africa Foundation, a charitable organization with two directors in common. At December 31, 2009, \$87,000 was due to this Foundation and is included in amounts due to related parties.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. SEGMENTED INFORMATION

The Company's only business activity is the exploration for and development of minerals reserves in North and South America and Africa. Segmented information about mineral properties is disclosed elsewhere in these consolidated financial statements (Note 6). The Company's fixed assets are primarily located in Argentina.

11. CONTINGENCY

Suramina's subsidiary, Desarrollo de Prospectos Mineros SA "DPM", has received a claim in January 2009 from the Banco Central de la Republica Argentina ("BCRA") in connection with two foreign exchange transactions made in 2003. It has been alleged that DPM exceeded the maximum allowable limit by approximately US\$63,000 for foreign exchange conversions for foreign exchange conversions on those days. DPM have filed a statement of defence to dismiss this claim. Provisions have not been made in the consolidated financial statements as the likelihood of the loss occurring cannot be determined and the amount of loss if it should occur cannot be reasonably estimated at this early stage. DPM will continue to defend its position.