

Consolidated Financial Statements of

SILVER EAGLE MINES INC.

(An Exploration Stage Company)

FOR THE SIX MONTHS ENDED JUNE 30, 2006
(UNAUDITED)

MANAGEMENT'S COMMENTS ON UNAUDITED FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements of Silver Eagle Mines Inc. for the six months ended June 30, 2006 have been prepared by management and approved by the Board of Directors of the Company.

These financial statements have not been reviewed by the Company's external auditors.

SILVER EAGLE MINES INC.
Consolidated Balance Sheets

	June 30, 2006	December 31, 2005
	(Unaudited)	(Audited)
ASSETS		
CURRENT		
Cash	\$ 14,900,187	\$ 800,773
Accounts receivable	528,444	235,745
Prepaid expenses and other	86,123	79,749
	15,514,754	1,116,267
PROPERTY, PLANT AND EQUIPMENT (Note 2)	7,398,243	5,706,896
	\$ 22,912,997	\$ 6,823,163
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 486,389	\$ 1,296,325
	486,389	1,296,325
ASSET RETIREMENT OBLIGATIONS	143,873	133,835
	630,262	1,430,160
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 3)	23,043,871	6,427,666
CONTRIBUTED SURPLUS (Note 3)	49,747	49,747
WARRANTS (Note 3)	1,248,067	169,788
DEFICIT	(2,058,950)	(1,254,198)
	22,282,735	5,393,003
	\$ 22,912,997	\$ 6,823,163

ON BEHALF OF THE BOARD

"Terrence H. Byberg" (signed)
 Director

"John C. Hardy" (signed)
 Director

The accompanying notes are an integral part of the consolidated financial statements.

SILVER EAGLE MINES INC.
Consolidated Statements of Operations and Deficit
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
EXPENSES				
General and administrative	\$ 389,512	\$ 72,069	\$ 840,129	\$ 103,537
Amortization	265	249	551	499
Interest	370	3,100	471	8,541
LOSS BEFORE THE UNDERNOTED ITEMS	(390,147)	(75,418)	(841,151)	(112,577)
INTEREST INCOME	13,915	891	14,795	1,067
FOREIGN EXCHANGE GAIN (LOSS)	(38,252)	12,238	21,604	(16,791)
NET LOSS FOR THE PERIOD	(414,484)	(62,289)	(804,752)	(128,301)
DEFICIT, BEGINNING OF PERIOD	(1,644,466)	(313,350)	(1,254,198)	(247,338)
DEFICIT, END OF PERIOD	\$ (2,058,950)	\$ (375,639)	\$ (2,058,950)	\$ (375,639)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.017)	\$ (0.004)	\$ (0.038)	\$ (0.010)
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING				
- Basic and diluted	23,778,793	14,860,983	20,956,844	13,279,674

The accompanying notes are an integral part of the consolidated financial statements.

SILVER EAGLE MINES INC.
Consolidated Statements of Cash Flows
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2006	2005	2006	2005
CASH INFLOWS (OUTFLOWS) FROM THE FOLLOWING ACTIVITIES				
OPERATING				
Net loss for the period	\$ (414,484)	\$ (62,289)	\$ (804,752)	\$ (128,301)
Items not affecting cash				
Amortization	265	249	551	499
Accretion	5,019	4,364	10,038	8,728
Compensation (Note 3(b))	-	567,972	614,000	567,972
	(409,200)	510,296	(180,163)	448,898
Changes in non-cash working capital items				
Accounts receivable	(225,109)	(92,922)	(292,699)	(202,692)
Prepaid expenses and other	12,849	(338,380)	(6,374)	(299,009)
Accounts payable and accrued liabilities	(223,961)	(247,524)	(809,936)	(132,142)
	(845,421)	(168,530)	(1,289,172)	(184,945)
INVESTING				
Additions to property, plant and equipment	(889,987)	(1,026,791)	(1,691,898)	(1,758,907)
FINANCING				
Issuance of shares (Note 3)	15,430,495	2,350,500	17,080,484	3,200,000
CASH PROVIDED DURING THE PERIOD	13,695,086	1,155,179	14,099,414	1,256,148
CASH, BEGINNING OF PERIOD	1,205,100	277,401	800,773	176,432
CASH, END OF PERIOD	\$ 14,900,187	\$ 1,432,580	\$ 14,900,187	\$ 1,432,580
SUPPLEMENTAL INFORMATION				
Interest paid	\$ 370	\$ 3,100	\$ 471	\$ 8,541

The accompanying notes are an integral part of the consolidated financial statements.

SILVER EAGLE MINES INC.

Notes to the Consolidated Financial Statements

June 30, 2006 (Unaudited)

The unaudited interim consolidated financial statements have been prepared by SILVER EAGLE MINES INC. ("SEG" or the "Company") in accordance with accounting principles generally accepted in Canada on a basis consistent with those used in the preparation of the audited annual consolidated financial statements. These unaudited interim consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements and accompanying notes included in the Company's Annual Report for the year ended December 31, 2005.

1. NATURE OF OPERATIONS AND CONTINUING OPERATIONS

SILVER EAGLE MINES INC. was incorporated on June 4, 2003 under the laws of the Province of Ontario, Canada. The Company was originally incorporated as A.J. Resources Inc., and following shareholder approval on December 19, 2005 changed its name to SILVER EAGLE MINES INC. Its principal business activity is the acquisition, exploration and development of high potential mineral properties.

Through an 80% controlling interest in San Pedro Resources, S.A. de C.V. ("San Pedro"), the Company is currently in the process of exploring and evaluating mineral properties which are located near the town of Miguel Auza, State of Zacatecas, Mexico. To date, the Company has not yet determined whether these mineral properties contain reserves that are economically recoverable.

The recoverability of the amount shown for property, plant and equipment, including deferred exploration and development expenditures in the Company's consolidated balance sheets are dependent upon a number of factors including identifying and confirming the existence of economically recoverable reserves and resources, maintaining necessary permits, and the ability to arrange the appropriate financing in order to fund continued exploration, eventual development and general working capital requirements. Although the timing of such events occurring, if at all, is not yet determinable, these financial statements have been prepared on a going concern basis which assumes that the Company will be successful in identifying recoverable reserves and resources, receiving necessary permitting, and arranging appropriate financing through project debt, other forms of public market debt, or equity financing.

In the event that the Company is unable to identify recoverable reserves and resources, receive the necessary permitting, or arrange appropriate financing, the carrying value of the Company's assets could be subject to material adjustment and, in addition, other adjustments may be necessary to these consolidated financial statements should such adverse events impair the Company's ability, in the future, to continue as a going concern as contemplated under Canadian generally accepted accounting principles ("GAAP").

SILVER EAGLE MINES INC.
Notes to the Consolidated Financial Statements
June 30, 2006 (Unaudited)

2. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment are as follows:

	June 30, 2006 (Unaudited)		
	Cost	Accumulated Amortization and Depletion	Net Book Value
Land	\$ 340,849	\$ -	\$ 340,849
Plant and equipment	2,328,587	156,399	2,172,188
Mineral properties	5,000	-	5,000
Deferred exploration and development expenditures	4,880,206	-	4,880,206
Property, plant and equipment	\$ 7,554,642	\$ 156,399	\$ 7,398,243

	December 31, 2005 (Audited)		
	Cost	Accumulated Amortization and Depletion	Net Book Value
Land	\$ 339,778	\$ -	\$ 339,778
Plant and equipment	1,862,139	103,678	1,758,461
Mineral properties	5,000	-	5,000
Deferred exploration and development expenditures	3,603,657	-	3,603,657
Property, plant and equipment	\$ 5,810,574	\$ 103,678	\$ 5,706,896

SILVER EAGLE MINES INC.
Notes to the Consolidated Financial Statements
June 30, 2006 (Unaudited)

2. PROPERTY, PLANT AND EQUIPMENT (continued)

Deferred exploration and development expenditure amounts expended by the Company since inception to date are summarized as follows:

	June 30, 2006 <u>(Unaudited)</u>	December 31, 2005 <u>(Audited)</u>
Deferred exploration and development expenditures:		
Amortization	\$ 156,399	\$ 101,828
Equipment rental and maintenance	441,052	170,114
Field labour and consultants	2,070,401	1,695,479
Field office expenses	49,767	41,719
Geology and assaying	1,350,306	900,812
Insurance	4,929	4,472
Mining Claims	610,930	535,272
Shipping	10,855	4,354
Travel	47,572	45,364
Utilities	137,995	104,243
Total deferred exploration and development expenditures	\$ 4,880,206	\$ 3,603,657

Included in deferred exploration and development expenditures is \$156,399 (Unaudited) of amortization relating to plant and equipment (2005 - \$101,828 Audited).

Exploitation and exploration properties

The Company, through its subsidiary, has exclusive and irrevocable rights to explore, develop, exploit and commercialize mineral properties that are categorized as exploitation and exploration properties, which amount to 27,575 hectares. Exploitation properties, until 2006, were taxed at higher rates than exploration properties as a result of the greater periods of time that the concessions are owned. The exploitation properties, that amount to 240 hectares, include concessions known as: the Amanda Gaitan Moreno Concessions (Santa Maria, Santa Fe, Olivia, El Calvario, La Zacatecana and El Rayo claims), the Javier Martinez Lomas Concession (La Antigua claim), and the Enrique Gaitan Enriquez Concessions (Negrillas Fracc. A, Negrillas Fracc. B, Mariana Fracc. A, Mariana Fracc. B, and Mariana Fracc. C claims). The exploration properties that amount to 27,335 hectares include concessions known as: the Michael Francis Neumann Florence Concession (Thelma claim) and the San Pedro Concessions (Ampliacion Thelma, Ampliacion Thelma Fracc. 1 and Ampliacion Thelma Fracc. 2, as staked and registered as to title); and, a mining concession that was staked, known as Don Pedro, registered with the Director General of Mining for Mexico. The exploitation properties have legacy mines with numerous shafts, head-frames, and historic workings.

These properties are the focus of a diamond-drilling program that is the basis for the Company's NI 43-101 Geological Report. The Geological Report concentrates its analysis on the Calvario vein, which intersects all of the exploitation concessions, where the Company expects to commence its bulk sampling of ore.

The carrying cost of these exploitation and exploration properties, which include minimum royalty payments, taxes and incidentals, amounts to \$79,325 (Unaudited) at June 30, 2006 (December 31, 2005 - \$153,826 Audited). The Company also has two patented mining claims with respect to properties located in Northern Ontario, Canada.

SILVER EAGLE MINES INC.
Notes to the Consolidated Financial Statements
June 30, 2006 (Unaudited)

3. SHARE CAPITAL

			June 30, 2006		December 31, 2005		
			(Unaudited)		(Audited)		
Authorized			Unlimited		Unlimited		
Common Shares, without par value			Unlimited		Unlimited		
Issued	Number of Common Shares	Amount	Number of Special Warrants	Amount	Number of Warrants	Amount	Contributed Surplus Amount
Balance at December 31, 2005	18,236,656	\$ 6,427,666	-	\$ -	2,301,146	\$ 169,788	\$ 49,747
On private Unit offering (a)	520,044	472,370	-	-	260,022	39,592	-
For consulting fees (b)	614,000	594,514	-	-	252,000	19,486	-
For referral fees (c)	42,784	42,784	-	-	-	-	-
On Special Warrants offering (d)	-	-	1,464,500	1,147,575	951,925	94,193	-
For penalty warrants (e)	620,830	(146,240)	146,450	(9,419)	95,193	9,419	-
On Conversion of Special Warrants to Units (f)	1,610,950	1,138,156	(1,610,950)	(1,138,156)	-	-	-
On IPO closing (g)	12,000,000	12,613,078	-	-	7,800,000	799,451	-
On Over-Allotment Option exercise (h)	1,760,600	1,901,543	-	-	1,144,390	116,138	-
Balance at June 30, 2006 (Unaudited)	35,405,864	\$ 23,043,871	-	\$ -	12,804,676	\$ 1,248,067	\$ 49,747

- (a) During the period January 1, 2006 to March 8, 2006, the Company issued 520,044 Units, at a price of \$1.00 each, raising gross proceeds of \$520,044.
- (b) On March 8, 2006, the Company issued 444,000 Units (see Note 4 – Related Party Transactions) and 110,000 Common Shares for services rendered to the Company for the year ended December 31, 2005, and 60,000 Units for services rendered to the Company in 2006.
- (c) On March 8, 2006, the Company issued 42,784 Common Shares to persons related to the shareholders, for referral fees for Units issued.
- (d) On March 9, 2006, the Company completed a private placement by issuing 348,000 Special Warrants on February 28, 2006 and 1,116,500 Special Warrants on March 9, 2006, at a price of \$1.00 each, raising gross proceeds of \$1,464,500. The Company received net proceeds of \$1,241,768, after considering total share issuance costs of \$222,732. In connection with this private placement, the Company also issued to its agent, 146,450 Special Compensation Warrants, entitling the holder to purchase 146,450 additional Units at a price of \$1.00 each, for a period of two years after the closing of a Liquidity Event. In addition, attached to each Special Warrant was also a penalty warrant.
- (e) The Company had not completed a Liquidity Event by March 31, 2006 and consequently issued 620,830 Common Shares (penalty warrants) pertaining to 4,138,862 Units issued, 146,450 Special Warrants (penalty warrants) pertaining to 1,464,500 Special Warrants issued, and 14,645 Special Compensation Warrants (penalty warrants) pertaining to 146,450 Special Compensation Warrants issued. In addition, accrued and actual costs associated with the preliminary prospectus were \$146,240.

SILVER EAGLE MINES INC.
Notes to the Consolidated Financial Statements
June 30, 2006 (Unaudited)

3. SHARE CAPITAL (continued)

- (f) On June 6, 2006, SEG completed a liquidity event and became listed on the Toronto Stock Exchange. As a result, the Special Warrants issued on March 9, 2006 (see Note 3(d) and (e)) were converted into Units of the Company on a one for basis.
- (g) On May 26, 2006, the Company filed a final prospectus relating to the initial public offering of the Company's Units. On June 6, 2006, the Company closed the sale of 12,000,000 Units at a price of \$1.25 each, raising gross proceeds of \$15,000,000. The Company received net proceeds of \$13,412,529 after considering total share issuance costs of \$1,587,471. In connection with this placement, the Company also issued to its agent, 1,200,000 Compensation Options, entitling the holder to purchase 1,200,000 additional Units at a price of \$1.25, for a period of two years from closing of the Liquidity Event. Each Unit was comprised of one Common Share and a one half Common Share purchase warrant. Each whole warrant entitles the holder to acquire one Common Share, at a price of \$1.75 per Common Share, for a period of two years from closing of the Liquidity Event. The value attributed to the warrants amounted to \$799,451.
- (h) On June 22, 2006, the Over-Allotment Option was exercised and the Company sold an additional 1,760,600 Units at a price of \$1.25 each, raising gross proceeds of \$2,200,750. The Company received net proceeds of \$2,017,681 after considering total share issuance costs of \$183,069. In connection with this placement, the Company also issued to its agent, 176,060 Compensation Options, entitling the holder to purchase 176,060 additional Units at a price of \$1.25 each, for a period of two years from closing. The Units herein are as described in Note 3(g) above. The value attributed to the warrants amounted to \$116,138.

4. RELATED PARTY TRANSACTIONS

The Company entered into a number of transactions with related parties. These transactions were in the normal course of operations and were measured at the exchange value that represented the amount of consideration established and agreed to by the related parties. The following summarizes those transactions entered into with related parties not otherwise disclosed in the other notes to these financial statements:

	For six months ended June 30, 2006 <u>(Unaudited)</u>	Year ended December 31, 2005 <u>(Audited)</u>
Payments to shareholders for:		
Rental of office space and equipment	\$ 2,780	\$ 7,600
Salaries and benefits paid		
to persons related to shareholders	21,800	25,247

Two of the shareholders, through their management companies, supply labour to San Pedro at normal trade terms.

On March 8, 2006, four shareholders received \$444,000 in the form of Units as remuneration for consulting services rendered to the Company for the year ended December 31, 2005.

SILVER EAGLE MINES INC.
Notes to the Consolidated Financial Statements
June 30, 2006 (Unaudited)

5. SUBSEQUENT EVENTS

Subsequent to June 30, 2006, the Company leased new premises for its corporate head office for a period of five years, commencing October 1, 2006. The annual commitment ranges from \$60,500 in year one to \$62,300 in year five.